S. HRG. 101-50

DECEPTIVE MAILINGS PREVENTION ACT OF 1989, AND CONSUMER MAIL ISSUES

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE, AND CIVIL SERVICE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

S. 273

TO AMEND TITLE 39, UNITED STATES CODE, TO DESIGNATE AS NON-MAILABLE MATTER SOLICITATIONS OF DONATIONS WHICH COULD REASONABLY BE MISCONSTRUED AS A BILL, INVOICE, OR STATEMENT OF ACCOUNT DUE, SOLICITATIONS FOR THE PURCHASE OF PRODUCTS OR SERVICES WHICH ARE PROVIDED EITHER FREE OF CHARGE OR AT A LOWER PRICE BY THE FEDERAL GOVERNMENT CONNECTION OR ENDORSEMENT, UNLESS SUCH MATTER CONTAINS AN APPROPRIATE, CONSPICUOUS DISCLAIMER, AND FOR OTHER PURPOSES

FEBRUARY 28, 1989

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CONTENTS

Page

Opening statements:
- Senator Pryor 1
- Senator Kohl 15
- Senator Sasser 29

WITNESSES

TUESDAY, FEBRUARY 28, 1989

Hon. John Heinz, U.S. Senator from the State of Pennsylvania 2

Jack E. Swagerty, assistant chief postal inspector, Criminal Investigations, U.S. Postal Service, accompanied by George C. Davis, assistant general counsel, Consumer Protection Division, U.S. Postal Service Law Department, and Tim Mahoney, inspector attorney, Eastern Regional Headquarters 6

Hon. William V. Roth, Jr., U.S. Senator from the State of Delaware 11

Hon. Joseph I. Lieberman, U.S. Senator from the State of Connecticut 13

Erling Johnson, chairman of the board of directors, American Association of Retired Persons, Anoka, MI 30

Cary H. Barr, chairman, Legislative Committee, Third Class Mail Association, Washington, D.C., accompanied by Gene Del Polito, executive director 32

Richard A. Barton, senior vice president for government affairs, Direct Marketing Association, Washington, D.C. 33

Mark Silbergeld, president, Alliance of Nonprofit Mailers, Washington, D.C., accompanied by Dan Doherty, executive director 38

Robert B. Brown, director of development, Blinded Veterans Association, on behalf of the Nonprofit Mailers Federation, Washington, D.C., accompanied by Carolyn A. Emigh, economic counsel, Nonprofit Mailers Federation 40

ALPHABETICAL LIST OF WITNESSES

Baer, Cary H.:
- Testimony 32
- Prepared statement with attachments 191

Barton, Richard A.:
- Testimony 33
- Prepared statement with attachments 208

Brown, Robert B.:
- Testimony 40
- Prepared statement with an attachment 228

Davis, George C.: Testimony 6

Del Polito, Gene: Testimony 32

Doherty, Dan.: Testimony 38

Emigh, Carolyn A.: Testimony 40

Heinz, Hon. John:
- Testimony 2
- Prepared statement with attachments 55

Johnson, Erling:
- Testimony 30
- Prepared statement with an attachment 175
- Letter to Senator Pryor, March 27, 1989, with attachments 184

Lieberman, Hon. Joseph I.:
- Testimony 13
- Prepared statement with attachments 121

Page

Mahoney, Tim: Testimony 6
Roth, Hon. William V., Jr.:
Testimony 11
Prepared statement with an attachment 117
Silbergeld, Mark:
Testimony 38
Prepared statement with attachments 220
Swagerty, Jack E.:
Testimony 6
Prepared statement with attachments 74
Responses to written questions submitted by Senator Sasser 113

APPENDIX

Text of S. 273 45
Section-by-Section analysis of S. 273 51
Samples of envelopes submitted by Senator Pryor 52
"Some Clients of Watson and Hughey: Where the Money Comes From," table, from The Chronicle of Philanthropy, December 20, 1988 54
Prepared statements of witnesses in order of appearance 55
Statements of:
Commerce Clearing House 236
Disabled American Veterans 248
National Committee to Preserve Social Security and Medicare 254

DECEPTIVE MAILINGS PREVENTION ACT OF 1989 AND CONSUMER MAIL ISSUES

TUESDAY, FEBRUARY 28, 1989

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL SERVICES,
POST OFFICE, AND CIVIL SERVICE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:35 a.m., in room SD-342, Dirksen Senate Office Building, Hon. David Pryor, Chairman of the Subcommittee, presiding.

Present: Senators Pryor, Kohl, and Heinz.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. The Subcommittee will come to order. We have a large array of witnesses. We will invoke the five-minute rule. We cannot, of course, under Committee rules, invoke the five-minute rule against Senators, so we will give them a little extra leeway there.

The Subcommittee today will be receiving testimony on S. 273, the Deceptive Mailings Prevention Act of 1989. We will also look at a number of other consumer mail issues. The legislation introduced earlier this year by Senator Heinz and myself is designed to protect the public from mailers who use Government look-alike envelopes and enclosures to entice individuals to join and contribute to organizations, buy products or services, and participate in games of chance.

A growing number of unscrupulous persons hold themselves out as being associated with the Government as they prey on the elderly, the unsuspecting, and the desperate. For a price, they claim you will get a bigger Social Security check or get your records; even a Social Security number for your children.

For example, a $7 dollar check to the Social Security Protection Bureau, whatever that is, to protect your investment will get you a gold-embossed Social Security card and enters you in the Social Security $50,000 Sweepstakes. Just what protection is afforded is not clear. The card is plastic and the fine print says the grand prize is up to the range of $16,233.

Some of these folks are sophisticated at getting a foot in the door, and they are always looking for new targets of opportunity in this realm. Recently, one of my constituents, who happens to be a very fine attorney, received an appeal for money in what appeared to be an official, time-sensitive Justice Department letter. I think

one of the blow-ups here indicates the Justice Department imprint there, "Justice Department Request Enclosed." [1]

The legislation before the Subcommittee today would require these types of mail to carry a very clear notice both on the envelope and its inside contents disclaiming any connection with the Federal Government.

In addition to the Government look-alike matter, we will examine a number of other consumer mail issues in order to determine how best to protect the public from the sale of products that promise more than they deliver, like this dandy little weight loss kit.

This is Euro-Trim, and actually what this is, is band-aids and water. This guarantees that you will have a weight loss by putting this band-aid and sprinkling a few drops of this water in this little container, and this sells for $50. Someone has gotten, I assume, rich, and I think that we have now stopped them from sending that particular product through the mail.

Also, we will be looking at the issue of pornographic material, and the growing use of lotteries and sweepstakes that promise much and deliver little as a sales and charity fund-raising technique.

We are very pleased today to have Senator Heinz of Pennsylvania to give testimony on his legislation. When my colleague completes his testimony, I am going to ask him to join us at the dais to ask questions and to hear testimony from other witnesses who will follow him.

Our second witness will be Senator Lieberman of Connecticut. I have asked Senator Lieberman to join us because of his very, very splendid knowledge of consumer-related mail problems as viewed from the State level.

As we know, he is the former Attorney General of the State of Connecticut, and I believe he can offer this Subcommittee some very useful insight into fund-raising through the use of misleading mail sweepstakes.

Our third witness from the Senate will be Senator Roth of Delaware, who is the ranking minority member of the Governmental Affairs Committee. I understand Senator Roth has been concerned about the deceptive use of the mails for a very, very long period of time.

At this time, it is my pleasure to introduce and yield to my friend, Senator Heinz.

TESTIMONY OF HON. JOHN HEINZ, U.S. SENATOR FROM THE STATE OF PENNSYLVANIA [2]

Senator HEINZ. Mr. Chairman, thank you very much. I commend you in holding these hearings. I am enormously pleased to be here to testify before your, and I might add, my Committee, to discuss S. 273, the legislation which you and I and other members of our Committee introduced, to put an end to the deceptive use of Federal programs and Federal symbols in private fund-raising activities.

Mr. Chairman, I know you share my commitment to enacting legislation quickly to protect consumers from the growing use of

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[1] See p. 52

[2] See p. 55 for Senator Heinz' prepared statement.

Federal look-alike and sound-alike mailings. In my judgment, this action is necessary to address what I believe is our Nation's number one consumer protection issue.

All of us, as Members of Congress, have become increasingly aware in recent years of the tricks that are used to deceive consumers into opening mail or sending donations by creating the false impression of an association with the Federal Government.

We need to be concerned about this type of deception because it preys on people's basic trust in Government. Worse yet, in an age of growing public mistrust in Government, this type of mailing adds significantly to that loss of trust.

These mailings—and I will be specific in a minute—create a tremendous amount of confusion, a good deal of it among the elderly, who especially can ill afford to donate their scarce resources to worthless causes. Many of these older persons think that their Senators and Congressmen are involved in these organizations.

Just last week, Ila Smith, of Erie, Pennsylvania, sent me a $5 check made out to a Washington-based mass mail operation and said, "Sorry I sent my application in, but neglected to put the check in. My husband, Ray, died last August, but I wanted to send $5." And she also enclosed her husband's membership card.

Another constituent of mine, a voter from Sunbury, Pennsylvania, wrote me saying, "Senator Heinz, just what do you mean sending letters to the poor asking for $10 to save Social Security? You are all getting raises and we are just hanging on, wondering how to live from day to day."

A third constituent, writing after a TV documentary, asked me why, if the organization in question was being called a fraud, was my name and that of other Congressmen from Pennsylvania on the organization's petition.

Mr. Chairman, many of the people who are misled contribute hundreds of dollars a year or buy worthless products or services thinking they are getting something of value, only to discover later that they have been duped. They want us to do a better job of protecting them from the following kinds of scams.

A letter from a constituent in Gibsonia, Pennsylvania: "I made the mistake of sending him $10 on his promise to save Social Security, but soon found out he was going to constantly demand money. You might as well shoot old people as worry them to death."

From Miami, Florida: "Without doubt, I have been had. From February 1985 until December 1986, I contributed $202.02 in 18 payments averaging $10 to $20. I did not read between the lines."

From Phoenix, Arizona: "Yesterday, I received an envelope from the Social Security Protection Bureau telling me I could be the winner of $50,000 in the Social Security Sweepstakes. Since when has Social Security been in the gambling business?"

From San Bernardino, California: "Many intelligent senior citizens are heard expressing their confusion and dismay as they try to work their way through even the official Medicare material. Surely, we don't need the hucksters to muddy up things in addition."

Mr. Chairman, S. 273 would provide the protection these older Americans are asking for. Specifically, the bill is intended to stop

three types of deceptive mailing practices implying a Federal Government connection.

The first is the look-alike envelope. This is a good example of one. It looks like it is coming from an official Government agency. It has got all the small print on it we all worry about when we get something from the Federal Government. It is the right color, the right shape, the right size, and the American eagle is peeping out through the glycine envelope.

In some cases, Mr. Chairman, the envelope tries to look not only like a Federal envelope, but one that would have a check or official notice enclosed, and indeed this is supposed to look like a Treasury check.

In other cases, there is a printed message on the envelope, such as "Important Social Security and Medicare Information Enclosed." In either case, the individual is expected to open the mail thinking that there is an official Government document enclosed.

The second type of deception uses the sound-alike name. This approach implies an association with the Federal Government in the body of the letter, using organizational names that sound like Federal agencies; for example, the Social Security Protection Bureau, the Bureau of Social Security Services, the National Records Advisory, the Internal Review Service, the Revenue Department, National Health and Medical Services.

The mailers also use references to Federal programs in ways that imply a Federal connection where there is no connection. This is a xerox of an example, the National Senior Advisory Center. In a mailing that looked like a notice from the Health Care Financing Administration, it misled its readers about changes in Medicare to get them to send information on medigap policies—so that they could get information from that organization on medigap policies.

The third type of deceptive practice is the sale of Federal services. This approach offers consumers products or services that are already available free of charge from the Government.

For example, the $10 the National Records Advisory Service—I have a copy, and I ask unanimous consent that all of these examples be placed in the record.[1]

Senator PRYOR. They will be placed in the record.

Senator HEINZ. The National Records Advisory Service will mail an application for a Social Security card, but it costs you $10 to get it. Of course, you can get your Social Security card for free from the Federal Government without the help of this organization.

Other organizations offer embossed Social Security cards—you referred to that, Mr. Chairman—and earnings records for a membership of $7. In some cases, the consumers are led to believe that they are buying services which, in fact, the organization does not and, in fact, cannot provide.

The Social Security Protection Bureau used quotes from Aging Committee hearings; they used one of mine about errors in Social Security checks to mislead consumers into believing that they were buying some kind of protection from that organization from such errors.

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[1] See p. 58.

Mr. Chairman, S. 273 would put an end to these deceptive practices by giving the Postal Service the authority to require that Federal look-alike and other quasi-Federal documents carry a clear and prominent disclaimer on the envelope and on the enclosed document itself.

The disclaimers would state that the document was not a Government document and that the organization is neither approved nor endorsed by the Federal Government. Any material implying such an affiliation and not carrying the disclaimers would be nonmailable.

As you know, under the law now, the Postal Service has a variety of effective enforcement tools to shutdown those mailers who fail to print required disclaimers on their material.

The Postal Service can direct the return of non-mailable material, can forbid payment of money orders or postal notes to the senders and require that the mailer cease and desist. In addition, the Postal Service may seek a temporary restraining order to stop the delivery of the sender's incoming mail, the mail that would contain checks from consumers.

Using all of these approaches, the Postal Service can effectively prevent a mailer from making a profit by confusing and misleading elderly consumers, but only if we give them the authority under S. 273.

This legislation, Mr. Chairman, is simply an effort to require mailers who are faking a Federal Government connection to disclaim any relation to the Federal Government—nothing more, nothing less.

We are not telling them what they can and can't mail. We are not infringing in any fashion on the activities of legitimate, reputable private mailers who do not use these kinds of tactics to raise money.

And even those who do use these tactics are not prohibited from mailing their material, but they are required, and they should be required, to disclose that the material is not from the Government of the United States of America.

Mr. Chairman, the need for this legislation, I believe, is great. I think we have come a long way in the past year in meeting the concerns of legitimate mailers. I hope the Subcommittee will be able to mark up this legislation soon so that we can put an end to these deceptive practices.

There are a lot of innocent people being scared, confused, cheated every day. As a couple from Texas wrote, "This type of mail, if received by a woman who is alone and depends solely on Social Security to survive, would probably terrify the poor soul into thinking she has to send in the requested amount, for fear of losing her checks. Please see if there isn't something that you can get done to prevent older people from being duped by such business practices." Well, in those very words, Mr. Chairman, this legislation is something that can get done.

I again want to reiterate my appreciation of the tremendous work that you, your staff, and the members of this Subcommittee have done on this legislation, and I look forward to participating in the hearings.

Senator PRYOR. Thank you, Senator Heinz. I have no questions for you, and I once again extend the invitation to join us here and to participate.

I am looking around the hearing room. I do not see Senator Lieberman, nor do I see Senator Roth, but we will intersperse our witnesses because of their delay. I am assuming that they will be in attendance very soon.

Let us at this time move to Mr. Jack Swagerty, the Assistant Chief Inspector of Criminal Investigations, United States Postal Service. Mr. Swagerty is accompanied by George C. Davis, the Assistant General Counsel, Consumer Protection Division, of the U.S. Postal Service Law Department.

Mr. Swagerty, we welcome you this morning. You have a very fine statement. I have read your entire statement. We will place your entire statement in the record, and even though we have invoked the five-minute rule, because of the length of your statement if you need to go a few minutes over, I would urge you to do so.

So, Mr. Swagerty, we look forward to hearing from you this morning.

TESTIMONY OF JACK E. SWAGERTY, ASSISTANT CHIEF POSTAL INSPECTOR, CRIMINAL INVESTIGATIONS, U.S. POSTAL SERVICE,[1] ACCOMPANIED BY GEORGE C. DAVIS, ASSISTANT GENERAL COUNSEL, CONSUMER PROTECTION DIVISION, U.S POSTAL SERVICE LAW DEPARTMENT, AND TIM MAHONEY, INSPECTOR ATTORNEY, EASTERN REGIONAL HEADQUARTERS

Mr. SWAGERTY. Thank you very much, Mr. Chairman. I am very happy to be here this morning to testify in support of S. 273 and to participate in your inquiry concerning these unlawful mailing practices.

In addition to George Davis who is with me this morning, I would like to also introduce to you Mr. Tim Mahoney, who is on my left. Mr. Mahoney is an inspector attorney from our Eastern Region Headquarters and has been actively involved in the Watson and Hughey investigations, and we thought it would be helpful if he could be here, also.

The Postal Inspection Service has investigative jurisdiction over violations of the mail fraud statute and the postal false representation statute. Any scheme intentionally to deprive someone of his property through false or fraudulent pretenses or representations where use of the mails is an essential aspect of the scheme violates the mail fraud statute.

Any attempt to obtain money or property through the mails by false representations or the operation of a lottery violates the postal false representations statute. Violations of the mail fraud statute are felonies and punishable by fines and imprisonment. Violations of Section 3005 result in administrative orders that deny violators mail in response to the scheme and, under 1983 legislation sponsored by you, Mr. Chairman, orders to cease the scheme or risk civil penalties up to $10,000 a day.

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[1] See p. 74 for Mr. Swagerty's prepared statement.

Mr. Chairman, my compliments to you and, of course, to Mr. Stevens, for the 1983 amendments. They have worked very well. The authority to obtain, in person, samples of products offered for sale by mail expedited our cases and reduced public losses. The authority to issue cease and desist orders and to penalize violators of those orders greatly reduced repeat violations of the statute.

However, notwithstanding these laws, we continue to receive complaints concerning solicitations which appear to come from Government agencies. Use of mailing envelopes designed to resemble official Government correspondence misleads many recipients into believing the mailings are official. Offers to sell Social Security cards or earning records often arrive in such envelopes.

We have taken action under Section 3005 against several of these solicitations, but not against many others. Whether an advertisement misrepresents a material fact and therefore violates the statute, is resolved by reviewing the entire mailing.

The envelope may appear to come from the Government, but if the enclosed solicitation clearly is from a private advertiser, the mailing does not violate Section 3005. S. 273 would discourage these schemes, allow us to take more effective action than can be taken at present, and apply to more than phony Social Security mailings.

It would, for example, reach advertisements for numismatic articles that appear to come from the U.S. Mint, advertising that appears to come from a Government agency offering surplus property at a bargain price, and advertising that appears to come from the Department of the Interior and to offer some inside track for obtaining mining rights on public lands.

At the close of fiscal year 1988, we had 67 open investigations involving fund solicitations. Recently, we initiated civil proceedings against Pacific West Cancer Fund, Robert R. Stone, and the Watson and Hughey Company concerning a solicitation that purports to be a notification from an attorney, Robert R. Stone, that the addressee has won a substantial cash prize.

Our complaint focuses upon alleged misrepresentations concerning the prize, allocation of the funds raised, and the operation of a lottery. We obtained a temporary restraining order against the delivery of mail in response to this solicitation, which is not a determination that the law has been violated, but only a determination that probable cause exists to believe that Section 3005 has been violated.

We are discussing possible settlement with the defendants' attorneys with respect to Pacific West and three other solicitations using the attorney notification letter. Our ability to investigate questionable appeals for funds is limited by lack of authority under Section 3005 to demand access to the books and records of questionable organizations.

Moreover, because the victims of phony fund appeals generally do not know they are victims, we often lack probable cause for search warrants under the mail fraud statute. Based upon our experience with schemes where examination of an organization's financial records is necessary to determine legitimacy and difficulties encountered with enforcement of the civil penalty authority

provided by 39 U.S.C. 3012, it may be appropriate to reevaluate the need for civil investigative demand authority.

And because operators of deceptive fund-raising campaigns may also victimize taxpayers who finance the reduced postage rates for non-profit mailings, the law establishing preferred rates perhaps should be amended to restrict eligibility to organizations which may receive tax-deductible contributions.

In my written statement, I discussed several recent mail fraud cases and noted our strong interest in having the mail fraud statute amended to authorize the seizure and forfeiture of profits and proceeds of mail fraud violations. Con artists should not be allowed to keep the fruits of their crime. Illegally-obtained funds should be returned to victims or used to enforce the Nation's criminal laws.

Mr. Chairman, I am about five minutes into the testimony. The next part of it relates to obscenity and pornography. If you would like, we could let the record stand on its own or continue. I have a few examples I would like to show you.[1]

Senator PRYOR. Yes, you may continue.

Mr. SWAGERTY. Thank you. We will forego the obscenity and pornography portion, but before we proceed to the questions and answers, I would like to just show you several examples of recent mailings.

The first is a mailing that I received at my house. The envelope does resemble an official mailing, but the material inside clearly reflects a real estate promotion. There is nothing in the inside material that would suggest an official mailing from a Government agency.

The second mailing——

Senator PRYOR. Mr. Swagerty, excuse me. Would you explain what that document was right there once again? I was talking with Senator Roth.

Mr. SWAGERTY. Yes. As I indicated, the envelope itself does resemble an official mailing, but the material inside the envelope clearly is just a real estate promotion and there is nothing from the inside material that would suggest that it is an official mailing from a Government agency.

It did indicate that I was a grand finalist and that I had possibly won some prizes, but reading the fine print, you can see that my chance for that is about 1 in 150,000 to win the grand prize there.

The second mailing also resembles an official mailing, and as Senator Heinz pointed out before, this is one that has an enclosure that looks like a United States Treasury check. This envelope has more of an appearance of an official mailing than the first, but close examination of the contents reveals it is simply an advertisement to purchase an automobile.

Senator PRYOR. They use the Statute of Liberty, I believe, as the emblem on the envelope and the inside letter.

Mr. SWAGERTY. That is correct, sir, yes.

The third that I would like to show you——

Senator PRYOR. I am surprised they are not saying you could buy the Statute of Liberty. That might be coming next.

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[1] A series of exhibits submitted by Mr. Swagerty may be found starting on p. 100.

Mr. SWAGERTY. The third that I would like to show you is an envelope, and perhaps we can't see this too well, but it is from where Mr. Green is pointing, Department of FBI, California Division.

Senator PRYOR. How recent was this?

Mr. SWAGERTY. This, I believe, we received about mid-last year. This is another real estate promotion not from the real FBI, but the Fountains Bureau of Invitations.

Senator PRYOR. There are a lot of creative people out there. That is all I can say.

Mr. SWAGERTY. Yes, sir, absolutely.

These three examples show a range of some of the look-alike envelopes that we have received recently. Now, departing briefly from these look-alike envelopes, but a matter that I know that the Committee is very interested in, is the Watson and Hughey mailings.

Senator PRYOR. Now, before we get to Watson and Hughey, if I might, is this legal or illegal?

Mr. SWAGERTY. Mr. Davis?

Mr. DAVIS. Under our current statutes, under the current provisions of 3005, the postal misrepresentation statute, the courts have held that the mailing has to be studied in its entirety to determine its effect upon an addressee.

You can't just pick out part of it and say this is misleading and stop somebody's mail. You have to look at the entire mailing and, if, after reviewing the entire mailing, you conclude that its overall impression misrepresents a material fact, then we can stop their mail.

But when you open this thing and look at the inside, it is real clear that it is not from the FBI; it is trying to sell you some land. So we couldn't stop someone's mail based upon that.

Senator PRYOR. Under the legislation under scrutiny today, the Heinz-Pryor bill, would this be still legal?

Mr. DAVIS. No, not in my opinion. I think this one comes close enough to identifying a Federal agency and the judges would likely hold that that would cause confusion and deception and would allow the remedies under 3005.

Senator PRYOR. I know I am distracting you all and getting you off course. How long does it take to get to a judge to make a determination? What is the legal framework, the time process?

Mr. DAVIS. The way the civil statutes operate, if the mailing involves a significant amount of public injury, we do two things. We go to the United States attorney's office in the district where the mailing is sent out from and we ask that an injunction be issued against us to prevent us from delivering that company's mail, pending completion of administrative proceedings that are then initiated in the Postal Service.

An administrative hearing is held there. It is a normal hearing very much like in a district court, except there is no jury. At the conclusion of that, there are appeals to the Postal Service judicial officer, who is the highest agency official for issuing these decisions.

And if the person against whom we bring the case loses, they can go into the United States district court and have our decision reviewed by the courts. If we lose, we can't do that.

So to answer a question on how long it takes depends on how many of these proceedings actually take place in a given case. We normally settle something like 70 percent of our cases. People don't litigate them because they have almost no chance to win based on the facts and the advertisements. And where they are settled, they are settled usually in a matter of a couple of weeks.

Senator PRYOR. Thank you, Mr. Davis.

Mr. Swagerty, what we are going to do—I think you have some other displays. We would like to see those displays, and at the conclusion of your final display being presented, then I will call on Senator Roth for his statement, and then Senator Lieberman for his statement. And then we will get back to you, if that is permissible.

Mr. SWAGERTY. Yes, sir, that will be fine, and this will just take several moments.

Senator PRYOR. Fine.

Mr. SWAGERTY. We do have some examples of the Watson and Hughey mailings and, as I indicated before, Mr. Mahoney is actively involved in these investigations and I would like for him just to quickly point out what these represent.

Mr. MAHONEY. On the top left is the typical envelope—a mailing purporting to come from Robert Stone, attorney at law in Washington, D.C., comes in. These are mailed on behalf of four different charities which have engaged the services of Watson and Hughey as their professional fund-raisers.

Once you open that envelope, you see inside the letter to the right, which is on Stone's letterhead at an address here in Washington, which is really a mail drop. And it notifies the person that he has been engaged by the charity to advise them that they are a winner in the $5,000 sweepstakes.

And then you go on to the next form which is contained in it, and that is the winner's release form which Mr. Stone in his letter asks the person to fill out in order to claim his prize.

Now, if you turn that form over, what you see is what is on the right over there and in the fine print, and it describes the procedures which are followed for two sweepstakes. One is the $5,000 sweepstakes and the other is, I think, $50,000 or $75,000, which is like the second level of this thing.

And if you read the rules carefully, you will see that in the $5,000 sweepstakes there are a couple of prizes for $100, a couple of prizes for $50, and a couple of smaller amounts. And then everybody else who was entered in that particular sweepstakes, which I believe is around 200,000 people, divides the rest of the pot, which ends up being—well, they guarantee in the fine print a minimum of 10 cents.

So your grand prize that Mr. Stone has notified you that you have won is generally 10 cents.

Senator PRYOR. Does Mr. Stone exist?

Mr. MAHONEY. Mr. Stone exists. He is an attorney, a member of the bar of the District of Columbia.

Senator PRYOR. And they are going to be guaranteed to win 10 cents. I see that in the very small print.

Mr. MAHONEY. Right.

Senator PRYOR. And the request is for $5 or $25?

Mr. MAHONEY. The request—what they do is they say that you don't have to pay to enter. However, because it is a charitable sweepstakes, they are asking you to send a contribution of $5 for the charity.

Senator PRYOR. To help fight cancer?

Mr. MAHONEY. To help fight cancer or whatever the particular cause is of the three—or the four, rather, charities. In this case, they are all cancer charities, yes.

Senator PRYOR. But the second paragraph of Mr. Stone's letter says, "This letter is notification that you have won a cash prize in the PWCF $5,000 Sweepstakes."

Mr. MAHONEY. Correct, and your cash prize 99 times out of 100 will be 10 cents.

Senator PRYOR. Do we have any idea of how many people responded to this particular mailing?

Mr. MAHONEY. I know that they have received in excess of $1 million as a result of it. I know that for a fact.

Senator PRYOR. In excess of $1 million?

Mr. MAHONEY. Yes, for all four different charities, at least that much.

Senator PRYOR. Did any of that million go to help in the fight against cancer?

Mr. MAHONEY. What happens with all of these organizations is that some money is spent directly on cancer. Generally, it is less than—or the history has been that it is less than 10 percent of what is raised.

Senator PRYOR. So the rest is pocketed, so it is a very, very lucrative situation for Mr. Stone or whoever he is representing?

Mr. MAHONEY. Well, Mr. Stone doesn't get too much out of this, but a large amount of the money goes back into expenses of fundraising, such as printing, postage, et cetera. Watson and Hughey, the professional fund-raiser, by the terms of their contract, is paid anywhere from 3 cents to 10 cents per envelope mailed.

Senator PRYOR. Now, Mr. Swagerty, do we have other displays or examples?

Mr. SWAGERTY. No, sir. That is all the exhibits we have, and we would be very happy at this time to yield and return later to answer questions if you desire.

Senator PRYOR. Fine. If you would just remain in your seat, if that is satisfactory with you, I will use the early bird rule here.

Senator LIEBERMAN. Please.

Senator PRYOR. I believe Senator Roth was the next witness.

TESTIMONY OF HON. WILLIAM V. ROTH, JR., U.S. SENATOR FROM THE STATE OF DELAWARE

Senator ROTH. Well, thank you, Mr. Chairman. Let me congratulate you for holding these hearings, and I particularly want to express my appreciation to my distinguished colleague from Pennsylvania for offering what I think is some very important legislation, legislation that I am happy to cosponsor.

As you know, Jack, a couple of years ago in my little State of Delaware, I had gotten a number of complaints. And as a result of those complaints, David, I sent out a questionnaire. Within a

matter of days, I received something like 1,000 different responses from senior citizens saying that they had received deceptive mail and were concerned.

Since at that time I was Chairman of PSI, I felt it was important enough to have my Committee staff look into this matter. I would just like to read a few of those findings. I am not going to read the entire statement, Mr. Chairman, but would ask that it and its attachments be included in the record.

PSI found that numerous fly-by-night groups deliberately fool their direct mail targets into believing that the Government is asking for money. Worse, these prophets of doom played on the fears and apprehensions of our senior citizens by falsely asserting that funding for Social Security and other Government-sponsored retirement benefits is in jeopardy.

These organizations lend credence to their outlandish claims through a variety of devious techniques that suggest official backing for their operations. Some mention Government agencies or programs in their mailings. Some mail their solicitations in envelopes designed to resemble in size and color the envelopes that contain Social Security checks and other official Government documents. At times, an organization will try to imply a Government connection by printing slogans like "Buy and Hold U.S. Savings Bonds" on its envelopes.

Now, a number of these worst offenders among deceptive direct mail distributors deem themselves "educational, social welfare organizations." All three of us here, as a matter of fact, are members of the Finance Committee and know the distributors do that in order to qualify for tax-exempt status.

They send the solicitation letters to a careful list of retirees and others likely to be worried about Social Security benefits. Some of the letters typically warn that these retirees are in danger of losing their Social Security benefits unless they make a contribution of $40 or more. That is wrong, and they know it is wrong.

And at times they will print "Urgent. Important Social Security and Medicare Information Enclosed," emblazoned in large red and blue letters across the front of this envelope, along with a supposedly urgent instruction: "Attention Postmaster: Time-Dated Official National Committee Documents Enclosed. Expedite for Immediate Delivery."

Well, let me ask, what do the contributors get for their money? In general, our PSI investigation showed that these organizations tended to spend most of the money they collected on producing and sending out more mailings seeking still more money.

Unlike well-established senior citizen groups like the American Association of Retired Persons and the National Council of Senior Citizens, which provide their members with a wide range of benefits and services including lobbying activities on their behalf, these letterhead organizations have yet to establish themselves as major players in Social Security.

Mr. Chairman, I won't continue to spell out what we have found, but it is a matter of real concern. I hope we can move on this legislation. I will say in closing that nothing we can do can entirely correct the situation. Let the buyer beware. It is important that our

retirees be careful when they receive these kinds of mailings. But I thank you and Senator Heinz for sponsoring this legislation.

Senator PRYOR. Senator Roth, thank you. Once again, you were not here when I mentioned this, but you have long been a leader in this fight, and we commend you for your commitment to this cause.

Senator ROTH. I appreciate that.

Thank you, Senator Roth.

Senator PRYOR. Senator Lieberman.

TESTIMONY OF THE HONORABLE JOSEPH I. LIEBERMAN, U.S. SENATOR FROM THE STATE OF CONNECTICUT [1]

Senator LIEBERMAN. Thank you, Mr. Chairman and members of the Committee, and thank you very much for inviting me to testify here today on this bill. I congratulate you and Senator Heinz for introducing it, and I thank you for convening these hearings.

I testify today from the perspective of somebody who spent six years as the Attorney General of Connecticut prior to being honored to be elected to serve in the United States Senate.

One of my major preoccupations as attorney general was to fight consumer fraud, and I can tell you that some of the most appalling consumer rip-offs of people in Connecticut arrived through the mail.

Every day in this country, millions of Americans receive some kind of fraudulent solicitation by mail. While it unfortunately doesn't get the attention I believe it deserves from law enforcers or even from the media, direct mail con artists routinely steal millions of dollars from unsuspecting consumers.

I say steal because, as we have heard here already this morning, they use deceit to defraud average citizens of their hard-earned dollars. The deceit comes in many forms. One of the most common promotional con games that we found in Connecticut involved time-share campgrounds or condominiums or resorts.

This industry routinely mails out millions of postcards and letters enticing consumers to attend hard-sell promotions by telling them that they have won a fabulous prize. The prize, which incidentally is often given grudgingly after the consumer has undergone hours of indoctrination about the time-share offer, usually turns out to be a very inexpensive item, hardly worth the trip to the resort or the condo project.

As a matter of fact, Mr. Chairman, one of my most satisfying moments as attorney general was when a friend of mine who responded to one of these solicitations told me that they wouldn't give him his prize until he told them that he was a friend of mine.

Another form of mail fraud is one that is directly addressed by your bill, and that is the look-alike mailings generated by private organizations that are designed to appear as if they were official Government documents.

As attorney general, I warned Connecticut consumers about one such con game practiced by a company called the Federal Records Service. The name alone obviously is intended to mislead, and a

[1] See p. 121 for Senator Lieberman's prepared statement.

letter that the company sent to consumers has, of course, an official-sounding Washington address.

That letter is worded to intimidate unsuspecting parents, in this case, into believing that they must obtain a Social Security number for their newborn child. The letter says, "County records indicate that your newborn child has not been registered with the Social Security Administration."

Well, in Connecticut that is an outright fabrication because there are no such things as county records in our State anymore; we don't have county governments.

Secondly, the letter appears to say that Federal law requires that a child have a Social Security number. Obviously, while having such a number may now be helpful for parents claiming children as dependents, at the time the letter was sent out no such law was in existence.

The worst part of the look-alike letter is the apparently official form the consumer is asked to fill out the required payment of $10 to the Federal Records Service. In fact, as the gentlemen before me obviously know, anyone can obtain a Social Security number for a child at absolutely no charge whatsoever.

Now, the Social Security Administration has warned consumers about such look-alike mailings, but it clearly does not have the ability to target the tens of thousands, perhaps millions of consumers who are reached through the mail by the so-called Federal Records Service.

That is why S. 273 is so important. We need to put a stop to companies that cloak themselves in a pseudo-official veneer of respectability and authority. Stripped of such trappings, which are false, they will be hard-pressed to convince consumers to part with their dollars.

Now, in the testimony that I prepared, which I ask to be included in the record, I have gone into this Robert Stone episode, but I need not be redundant of the previous testimony here today. Gentlemen, you have dealt with the problem directly, and we have had people in Connecticut who have complained about it. It exemplifies the problem of sweepstakes used for charitable purposes.

I will give you one other example that we came across of an organization with an appealing, credible name—the American Heart Disease Prevention Foundation—located in Montclair, New Jersey.

In 1987, this Foundation issued one $35,000 research grant. It performed no direct services, such as patient counseling or provision of hospital equipment or anything of that kind. It claims that it spent over $600,000 on educational expenses, but what that really means is that the charity included a small postscript on one of its fund-raising letters suggesting, if you can believe this, that people eat right and exercise.

The American Heart Disease Prevention Foundation took in during that same year, 1987, $1.2 million. That, of course, is $1.2 million that could have gone, should have gone, to legitimate heart disease prevention and research. It is a sin that it didn't and it ought to be a crime.

So, Mr. Chairman, I am submitting to the Committee today a copy of that Federal Records Service letter, together with a copy of the Sweepstakes for Charity Report prepared by the Public Char-

ities Unit of the Attorney General's Office of Connecticut which was issued in December of 1988.[1]

I thank you, Mr. Chairman, and I thank this Subcommittee for investigating direct mail fraud. This is a problem that is so widespread, clearly crossing all State lines, and is cumulatively so powerful and costly, but that a Federal response, in my opinion, is desperately needed.

Thank you very much.

Senator PRYOR. Senator Lieberman, thank you. We are very much aware of your activities when you were the Attorney General for the State of Connecticut, and we are glad that you are continuing your interest and your commitment here in this area.

In your prepared testimony, I think you also had some very relevant documents which will be inserted in the hearing record if you wish.

Senator LIEBERMAN. I appreciate that. I would like to do that. Thank you.

Senator PRYOR. We hope that you will continue with us by asking some questions of our witnesses.

Senator LIEBERMAN. Unfortunately, I apologize; I must move on, but I thank you for allowing me to testify.

Senator PRYOR. Thank you, Senator Lieberman.

Senator LIEBERMAN. Thank you.

Senator PRYOR. Senator Kohl.

OPENING STATEMENT OF SENATOR KOHL

Senator KOHL. I also want to commend you, Senator Pryor, for scheduling this hearing, and also Senator Heinz for his continued interest in the important matter before us today.

The legislation introduced by my two colleagues addresses, obviously, a very serious problem, which is the use of deceptive look-alike mail by non-governmental groups hoping to cash in on the public's trust in the Federal Government.

In my view, also, this type of activity represents the ultimate copyright infringement, and it is the Federal Government whose rights are being trampled on.

When I was running for office last year, I was approached by many people who had received letters from organizations which appeared to be affiliated with the Government, some of which used my own name in their solicitations. I was astonished by the deceptive tactics used in these letters.

People I encountered were genuinely confused by this type of mail, and I didn't blame them.

I think that enough is enough, and I am pleased that legislation has finally been introduced to correct the problem, while still allowing legitimate organizations to solicit funds without deception or fraud.

In addition, I am deeply disturbed to learn how easy it is for a group to set up shop, call itself a charity, and receive subsidized mail privileges paid for by the American taxpayer.

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[1] See information beginning on p. 127.

Then those same groups, as you know, turn around and take advantage of good-intentioned people to raise money which never gets anywhere near a research lab or a charity occupation.

I think we have got to do a better job at weeding out these unscrupulous groups and protecting the general interests of legitimate organizations, consumers, and the Federal Treasury. And so I am happy to be here today and I am pleased to anticipate that, in my judgment, we are going to get some legislation passed this year which is really going to enable us to do a much better job of correcting what has become a very serious problem in our country.

Thank you, Mr. Chairman.

Senator PRYOR. Senator Kohl, thank you very, very much.

Mr. Swagerty, we were about, I think, to talk a little bit about Watson and Hughey? Who are these people

Mr. SWAGERTY. Again, Mr. Chairman, Mr. Mahoney has been actively involved in investigating these cases and I would ask Mr. Mahoney to answer your question.

Senator PRYOR. Mr. Mahoney?

Mr. MAHONEY. The Watson and Hughey Company is a Virginia partnership located in Alexandria, Virginia, consisting of two individuals, one's name is Jerry Watson; the other is Byron C. Hughey. They are professional fund-raisers.

They have, at the moment, 10 client charitable organizations for whom they are soliciting money through the mail. Generally speaking, the charities that are their clients preexisted before they signed on with Watson and Hughey as their fund-raisers.

For example, the charity may have existed in a local sense. One example was an organization for taking care of stray pets in the Cincinnati area. Watson and Hughey signed on as their fund-raiser and then the name of the group became the National Animal Protection Fund, and they were soliciting nationally for contributions.

The American Heart Disease Prevention Foundation which was mentioned earlier—that organization did not even exist. Watson and Hughey got together with an organization which did exist called the Jordan Heart Fund, which was located in northern New Jersey, and they wanted to enter into a fund-raising contract.

However, the American Heart Disease Prevention Foundation was set up, incorporated as a new organization which basically existed to raise the funds. The fund-raising expenses, et cetera, were paid off and then the remainder of what was left was then paid to the Jordan Foundation, which consisted of the $35,000 which the Senator referred to earlier.

Senator PRYOR. And how much was—what was the profit, basically? You say the Jordan Heart Fund got $35,000. What was the profit to Watson and Hughey?

Mr. MAHONEY. To use the term "profit"—their fee would be based on the number of envelopes mailed out. All their contracts call for them to be paid somewhere between 3 and 10 cents, depending on the contract, per envelope that is mailed out. I don't know how many were mailed out, but that is what their fee was based on.

Senator PRYOR. All right. Where would Watson and Hughey get these lists? How would they know where to acquire the lists?

Mr. MAHONEY. The mailing lists?

Senator PRYOR. Yes.

Mr. MAHONEY. There are several mailing list brokers. In fact, there are two mailing list companies which they use for these charities which they own. One is the Washington List Company, one is the Capital List Company. There are also others from whom they purchase the lists.

An interesting thing is that part of their fund-raising contracts with these charitable organizations—Watson and Hughey gets to use the mailing list that is developed as a result of their solicitations, and it is obvious that names that they gain from one charity are being used to solicit for some of their other client charities because a lot of the people are getting solicitations from more than one of their organizations.

Senator PRYOR. I have in my possession a publication called "The Chronicle of Philanthropy," and it lists some clients of Watson and Hughey and where the money goes. For example, American Institute for Cancer Research—in 1986 I think the revenues were $17,281,000. Project Cure was $3,593,000; United Cancer Council, $10,700,000, and on and on.

Another client is Adopt A Pet. What is that? That is one of their——

Mr. MAHONEY. Adopt A Pet is based in Tulsa, Oklahoma. They exist for the purpose of providing some aid to stray animals in the Oklahoma area. Again, like that Cincinnati group that I referred to earlier, Watson and Hughey got together with them and then all of a sudden they became a national organization soliciting nationally. I don't know of them providing any services nationally.

Senator PRYOR. Coalition to Stop Government Waste—that is another of their clients, and it looks like they are not doing very well. They didn't collect very much on that one. That was not too appealing.

Mr. MAHONEY. They are no longer their clients, as a matter of fact.

Senator PRYOR. I am going to put this little chart in the record just to give an idea of what the revenues of these various so-called charities were.[1]

I noticed on one, on Project Cure, there is a footnote. It says, "Includes $1.1 million for lobbying expenses." I hope they don't have a PAC fund, and I hope if they do, I have not accepted any of their dollars. I am going to look into that.

Mr. MAHONEY. Project Cure, Senator, is the only one of the 10 organizations which is a 501(c)(4) organization, which allows them to lobby. In fact, their purported purpose is to lobby for various Government agencies, the Congress, et cetera, to look into alternative methods of cancer research. That is what they purport to do.

Senator PRYOR. Right now, the Postal Service is looking at this as a civil matter. Is the Postal Service also looking at this in a criminal context?

Mr. MAHONEY. Yes, we are.

Senator PRYOR. And how far along are you?

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[1] See p. 54.

Mr. MAHONEY. Well, I really couldn't comment on that at this stage because of that.

Senator PRYOR. All right. Let me ask this question about the relationship the Postal Service has in working with the various States. Is there some sort of a coalition there or relationship that is building?

Mr. MAHONEY. For the past 2 years, I have been working with the National Association of Attorneys General and the National Association of State Charities Officials on this matter, and others dealing with fund-raising.

Several States have brought civil actions against various Watson and Hughey clients recently. I have assisted them. I have just provided an affidavit for the State of New Hampshire in an action they brought. They have also provided invaluable assistance to us as far as the State filings which are required in giving us information that is contained in them.

Senator PRYOR. How does Watson and Hughey obtain a non-profit mailing permit? How do they get a non-profit status?

Mr. MAHONEY. They don't obtain one. The charity itself has to obtain it.

Senator PRYOR. And then they retain Watson and Hughey to do their mailing?

Mr. MAHONEY. Right, and as I said, most of these charities preexisted before they got together with Watson and Hughey. They may have been using another fund-raiser; they may have been raising funds locally on their own. It was at that time that they obtained the permits.

Senator PRYOR. Now, according to our research, Watson and Hughey does, in fact, own the Social Security Protection Bureau. They are the owners of that, so they are not just mailers; they are owners of some of these fly-by-night organizations.

Mr. MAHONEY. The Social Security Protection Bureau is a fictitious name employed by the Foxhall Corporation, which is a Delaware corporation owned by Jerry Watson and Byron Hughey. And they mail at regular bulk rates; they do not use the non-profit mailing.

Senator PRYOR. All right. Let me also see another—flip that, if you would, Ed. I want to see where it says "Request by the Justice Department" [1] on there.

Now, "Important Justice Department Request Enclosed." Now, why is that not illegal, per se?

Mr. MAHONEY. As Mr. Davis said earlier, most likely what you find—I am not familiar with that particular mailing. I am familiar with several similar to it. Once you open whatever is in it and see what is in it, it is very clear that it is not related to the Justice Department, that it is some private organization seeking funds, or whatever.

Therefore, when you are making your determination of whether to send them money, the point on the outside of the envelope is not material to your decision. Basically, what that is there for is to get you to open the envelope. Otherwise, a lot of people won't even open the mail.

Senator PRYOR. I have, by the way, the contents of that particular mailing. This is the letter that went to my friend, the attorney

[1] See p. 52.

in Arkansas. They are asking for donations, I believe, of $25 or above to help investigate certain Congressmen and Senators who are lined up with the communist takeover of Central America. So they want to continue in this so-called investigation of these Senators and Congressmen who are allegedly in cahoots with the communists. They probably made a lot of bucks off of that mailing.

Now, one or two final questions. In fact, I see Senator Heinz. Senator Heinz is going back and forth from the Banking Committee, and he has got a lot of activities going.

Senator Heinz, do you have questions?

Senator HEINZ. Mr. Chairman, please——

Senator PRYOR. No. I think I am about coming to the point—I wanted to ask one or two more, but you go ahead.

Senator HEINZ. Please proceed, Mr. Chairman.

Senator PRYOR. All right.

What about the success rate, Mr. Swagerty, that we might have in the look-alike areas? What sort of success rate do we have in going after these people who are duping the public with look-alike envelopes and look-alike materials to get them to provide donations to charitable causes, or whatever?

Mr. Davis, maybe you would answer that.

Mr. DAVIS. We have brought, I would guess, about eight cases involving the phony impression of association with the United States and we have won all of them, but that was just one charge among others in the complaints. We have not brought any cases where that is the only charge. So it is a little hard to tell.

But where we have had that practice, we have also had—when you open the envelope and you look inside, you have had some other kind of garbage that is deceiving the public and we have been able to win based upon the totally false impression of the mailing, not just that look-alike feature.

Senator PRYOR. Do we have any kind of a national hotline where an average citizen can get information on suspicious mail? For example, this mailing tells how you can find lost money, the secret of the U.S. Government. It says: "Does Uncle Sam Owe You Money You Don't Even Know About?" You can send them $25 or $50 and they will go out and see if the Government owes you money. This went, by the way, to a lady in Clinton, Arkansas, one of my constituents.

Senator PRYOR. Is there any kind of a Postal hotline this lady—or others—can call on to inquire whether a particular mailing is deceptive or fraudulent?

Mr. DAVIS. The Postal Inspection Service throughout the country encourages people to contact them when they find anything in their mail that is misleading. Similarly, State consumer protection offices do the same sort of thing, and when they find these things they send them in to us, and they send them in to the Justice Department. They send them to the Federal Trade Commission and they refer them to us. So we get a lot of them. There isn't a single national hotline for that specific problem.

Senator PRYOR. I wonder if that might not be a good idea. That seems to me a very fine service that could be performed possibly by the Postal Service.

Mr. SWAGERTY. We will look into the possibility of a hotline, but the one thing that we do—we encourage all of our people when they have complaints of any kind to direct those complaints to the local postmasters. So we have 39,000 postmasters in every part of this country, and this is what we encourage complaints, and particularly the elderly, to do, is to refer those complaints to the local post office, and those complaints then will automatically come to the Inspection Service or to the Consumer Protection Division.

Senator PRYOR. I also have heard from some of the veterans groups, and they, I think, have expressed a concern that we have got to be very, very careful in drafting any legislation or adopting any regulations which might infringe upon their freedom to deal with veterans and explain their benefits.

Are we working this problem out?

Mr. DAVIS. Well, we have discussed this with your staff and I don't really see a problem. I see, I guess, as good a sampling of complaints involving this type of deception as anybody, and I don't recall ever seeing any involving a veterans organization. And I have been doing this for 20 years, so there are a lot of them that I have looked at.

I do understand that some of the local chapters of veterans organizations may not have as tight a control on how they design some of their mailings as others, and we would have to be sensitive to that. But if I understand the problem, I don't see it as a real problem.

Mr. SWAGERTY. But a very important issue, and it is something we need to take great care with in protecting the veterans organizations.

Senator PRYOR. Mr. Swagerty, on page 15 of your testimony you relate to a Nadine Gan story, I believe. I wonder if you would just tell us a little about that case.

Mr. SWAGERTY. All right. This strictly comes under the mail fraud aspect. It was simply a classic Ponzi scheme where Nadine Gan promised returns of 50 to 80 percent on investments and used the early investment money to pay off the other investors.

She took in, I believe, from $2.5 to $3.5 million from 700 elderly victims. She used the money primarily either, again, to pay off other investors or to finance her lavish lifestyle.

She did go to jail for 9 years, was sentenced to 9 years, and had the opportunity to have that sentence reduced had she been willing to pay back some of the money to make some restitution.

But her feeling and what she said to a newspaper reporter was that she would serve her sentence and get out, and when she got out why should she pay if she has been penalized by serving that sentence?

I just learned this morning that Nadine Gan recently died of a heart attack in prison, so she will not be able to realize that.

Senator PRYOR. Every day in the mail in my office and when I am traveling back in my State, I hear complaints from people who are getting sexually-oriented pornographic mail.

What is the Postal Service today doing in terms of education, public relations in this area? What rights does the American citizen have to not receive this type of mail in their mailbox? Where are we, Mr. Swagerty, with that?

Mr. SWAGERTY. That could be a fairly lengthy answer, but let me see what I can do with that. Several years ago, we did a study of how we were handling the complaints of sexually-oriented advertisements, and of the obscenity, and the results of that study were a bit troubling to me.

We realized quickly that we needed to do a much better job in making the forms available to the public and explaining what these forms meant and telling our customers how to obtain prohibitory orders or to get their name on a list not to receive these mailings at all.

As a result of that study, we did a great deal as far as we created a number of kits and we were handing those kits out. We call it Kit 8, the SOA, or Sexually-Oriented Advertisement Consumer Protection Packet, which for the first time contains clear instructions, or as clear as we could make them, to our customers.

We have handed out more than 600,000 of these since we created this packet. We have put posters in our post offices warning our customers, or letting our customers know what their rights were with respect to filing the prohibitory orders or getting on a list not to receive the mail.

And we have made this a part of our public information officer campaigns when we are talking to our customers to mention this, too. So in the past several years, we have been quite active in trying to educate the public.

Senator PRYOR. With all due respect, and I applaud your initial steps, but you say you distributed 600,000 of those?

Mr. SWAGERTY. Six hundred thousand have been distributed to post offices throughout the country.

Senator PRYOR. That is not enough. Can't we do more on that?

Mr. SWAGERTY. Well, I think we have. About 2 years ago, the United States Government, particularly us, in cooperation with the Department of Justice National Obscenity Enforcement Unit, took action which was a lot better, a lot more definitive in my mind.

Based on the complaints that we received, we investigated about 10 or 11 companies, major mail order companies in this country that were responsible for a large portion of the complaints that we were receiving from our customers. To date, we have indictments on eight of those companies and there are several more that are pending at this time.

After the searches on the companies when we served the search warrants and then the following action that we have taken as far as indictments and prosecutions, our complaints have dropped off significantly. The requests for prohibitory orders have dropped off about 50 percent in those areas that we have taken a sample or taken a look at those numbers.

So in my mind, this is a much better approach to tackling this problem and I think we have been successful. We are going to continue based on complaints that we receive in the future. We are not just going to stop with these 10 or 11 companies. If we have reason to pursue prosecution in the future, we will do that.

Senator PRYOR. I received a letter from a constituent from Conway, Arkansas, August 1, 1988, and he enclosed in that letter sexually-oriented material. And he states, "A few years ago, I filled out a form with the U.S. Postal Service to avoid having this type of

material sent to my home and have filled out these forms again in recent months, but the material keeps coming. This is a persistent problem."

Is this correct?

Mr. SWAGERTY. That is correct, and I would like to ask Mr. Davis—perhaps he can get into the Section 3010 and some of the problems we have had with this particular program.

Senator PRYOR. Mr. Davis?

Mr. DAVIS. Yes. Let me also mention, in case there is any confusion, the 600,000 copies of that kit that were sent out is not some limit. The supply is not exhausted. If post offices want another million of them, they can have them. There are plenty of them in inventory and as many as they want, they can have. That is just how many have been sent out so far.

Section 3010, the statute that allows—let me say there are three of these statutes that are relevant. The criminal obscenity statute, which applies to a fairly limited amount of the kinds of garbage people get in the mail from these people selling sexually-oriented stuff—the Supreme Court has imposed a very stringent standard on what is or is not criminally obscene, and that leaves a residue of a fairly limited amount of the sexually-oriented mailings that are out there.

There are two other statutes, 39 U.S.C. 3008 and 39 U.S.C. 3010. 3008, in substance, provides that if you get a mailing that you think is sexually-oriented from somebody, you can get an order from the post office against that person directing them not to mail anything else to you.

Section 3010 does not require that first mailing. 3010 says if you don't want to get sexually-oriented mailings, as that term is defined in the statute, come to the post office, fill out a form. We will put your name on a list and that list will be made available to mailers of sexually-oriented materials, and they will be told thereby, don't mail to that person.

Well, that was fine and dandy when the Congress enacted the statute because it also enacted a companion statute with a lot of teeth in it. But not too long after that was enacted, the courts knocked out most of those remedies and the statute really doesn't have very many teeth anymore, so people ignore it.

As a matter of fact, we checked before coming up here and there are only three companies who purchase that list at the present time, and there are many, many more companies. As Inspector Swagerty mentioned, they just indicted 11, and that is just the start of that one investigation. So only three buying the list means that most people are saying that there is no teeth in the law, so why bother.

We joined in the last session with the Justice Department in recommending legislation that would beef up these laws, we think, and take care of that, including a prohibition against mailing these things to minors without a written request, and a requirement that the list be purchased by companies that are engaged in this sort of thing, along with a recommendation that more penalties be put back into the law.

Senator PRYOR. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

Mr. Swagerty and Mr. Davis, you explained earlier that there is no real way you can stop look-alike or sound-alike mailings under current law, is that correct?

Mr. DAVIS. Yes, sir, if that is the only aspect of it that is false and misleading.

Senator HEINZ. This envelope, you could not under any circumstances impound unless it was, inside, telling an absolute falsehood or mistruth, is that correct?

Mr. DAVIS. That is correct.

Senator HEINZ. And, similarly, when somebody receives a form that looks like it comes from one of those large, impersonal Government computers, you can't do anything about that?

Mr. DAVIS. I don't know that particular mailing, but I assume if you open the envelope and look inside, it is pretty clear that it comes from somebody other than the Government. If that is the case, again, we are, under our existing law, not able to do anything with it.

Senator HEINZ. And so it would be fair to say that right now, look-alike and sound-alike expropriated symbols or programs can be used for almost any purpose to extract money for contributions, memberships, services that are questionable or non-existent, even if those symbols or formats or programs look like they are from the Federal Government. Is that right?

Mr. DAVIS. As long as you don't get too close to looking like it. There are criminal laws on the books that prohibit use of the exact name or symbol of an agency.

Senator HEINZ. But if you are close, like the Social Security Protection Bureau, or if you are close with the 1987 benefits, or if you are close with something that looks like a Federal envelope and not exact, you are fine?

Mr. DAVIS. That is correct.

Senator HEINZ. So that under the current system, look-alike and sound-alike symbols can be expropriated for the purpose of what I would call legalized economic terrorism directed against senior citizens and other unsuspecting consumers. Would you say that is too harsh a statement?

Mr. DAVIS. Not from my experience, no. I would agree with it.

Senator HEINZ. Now, last year Congress passed a law that empowered the Department of Health and Human Services to fine anybody who wrongly misuses the words "Social Security" or "Medicare."

In your judgment, how is the Postal Service's enforcement authority more effective as a result of that law when it comes to mass mailings?

Mr. DAVIS. That particular statute doesn't really give the Postal Service additional authority. As I recall it, it is a statute that gives the Internal Revenue Service authority to seek penalties if a tax-exempt organization misuses the name. It only applies to tax-exempt organizations, and the jurisdiction that was established by it is not in the Postal Service.

Incidentally, I received just this week an interesting mailing about that statute. We received through the Attorney General's office a letter from a lady who apparently is a professional writer associated with some magazine who received a mailing from the

Social Security Protection Bureau, one of the exhibits that the Committee staff had here at the hearing.

Her letter says to the Attorney General, "I am enclosing information which appears to be a violation of the Social Security laws." Attached to her letter is a news article that talks about the very statute you just mentioned, Senator, and the answer is the one I gave.

It does not apply to this mailing. This is not a tax-exempt organization that is getting——

Senator HEINZ. These are largely for-profit organizations.

Mr. DAVIS. Well, that is certainly their hope.

Senator HEINZ. And, occasionally, they are take-the-money-and-run organizations.

Mr. DAVIS. That is certainly their hope, I suspect.

Senator HEINZ. And they may even be for-profit organizations that neglect to pay taxes.

Mr. DAVIS. Well, our ability, as we mention in our written statement, to know what these organizations are doing with their money, how much money they are getting, where they are spending it, is extremely limited.

We have very little authority under existing law, even when we receive tons and tons of complaints about one of these outfits, to go in and find out what they are really doing with their money. We have no subpoena power under the civil statute, and to get probable cause under the criminal statute you have to have people who know they have been victimized.

If I try to sell you a gold watch by mail and I sell you a piece of junk that isn't gold, you are likely to complain to somebody. But people who are donating to these charities don't know that they have been taken. They don't know where the money is going; there is no way they can really find out.

Senator HEINZ. Now, to kind of sum up this exchange, what you are saying is that the law that we passed last year doesn't have much practical effect in curtailing the worst of these abuses, and that if we don't pass legislation like S. 273, there won't be any redress?

Mr. DAVIS. Well, certainly, S. 273 is much broader. It will cover a much greater range of this type of abuse than the other statute.

Senator HEINZ. By the way, for people who, in a sense, have come in late, I think it needs to be clarified. S. 273 doesn't tell people what they can and cannot say. You can really be just as deceitful as the law allows under S. 273, with one exception that if it looks like you are trying to make the mailing come from the United States Government, we want the mailer to say, you know, we are deceitful, but it is not your friendly U.S. Government that is being deceitful.

Mr. DAVIS. Yes. That is the way I read the bill.

Senator HEINZ. Now, we are going to hear testimony later today, I understand it, from the third class mailers about their concerns about the wording of S. 273 with regard to the definition of nonmailable matter.

They have proposed substitute language which would require the Postal Service to prove intent to deceive prior to stopping the mail. The language as it now stands, as you know, stops mail that im-

plies some connection to the Federal Government where no such connection exists so that it may cause either deceit, confusion, or mistake.

If the post office were, as the following witness or witnesses may propose, required to prove intent to deceive, what would be the practical effect of that?

Mr. DAVIS. We wouldn't need the law at all. If we have proof of intent to deceive, the criminal mail fraud statute is being violated. That statute has been on the books for over a century and it works just fine, but it only works where you can prove intent to deceive. If Inspector Mahoney had that evidence in these cases, he would use it.

Senator HEINZ. What is the test of intent to deceive?

Mr. DAVIS. The test of intent to deceive? Tim?

Mr. MAHONEY. Basically, it comes from circumstantial evidence because you never can look into someone's mind and say he intended to deceive. So you have to take all of the surrounding circumstances as to how the promotion started, who it is aimed at, who knows what else, in order to prove that they intended to deceive.

The good thing about the civil statute that we have right now is, thanks to some amendments passed, I don't know, 10 or 15 years ago, we do not have to prove intent to deceive in order to stop the mail under Section 3005.

It used to be we had to prove that and, basically, you were proving a mail fraud cause, which, of course, is much more difficult to prove.

Senator HEINZ. Could the Social Security Protection Bureau mailing be stopped under existing law? Does it have the requisite intent to deceive?

Mr. MAHONEY. You are talking about a fraud statute, then?

Senator HEINZ. Yes.

Mr. MAHONEY. That is something that is being examined right now and it is under investigation, which I really can't go into too much.

Senator HEINZ. Is such an investigation going to take a long time?

Mr. MAHONEY. It is going to take a little while longer. I can tell you that, but once it goes to the Justice Department it is out of our hands.

Senator HEINZ. Then the Justice Department, assuming that they hypothetically want to pursue it, would go to court?

Mr. MAHONEY. They would have to go to a grand jury and present evidence to the grand jury.

Senator HEINZ. The grand jury would then decide whether or not to submit the charges to a jury, and that trial would take place. Would that trial be subject to appeal?

Mr. MAHONEY. Yes.

Senator HEINZ. To a Federal circuit court, presumably?

Mr. MAHONEY. Right.

Senator HEINZ. Under certain circumstances, that appeal could even be taken to the Supreme Court?

Mr. MAHONEY. Yes.

Senator HEINZ. Would you characterize that as a fairly long process?

Mr. MAHONEY. Yes.

Senator HEINZ. Roughly, how many years?

Mr. MAHONEY. The whole process could take 3 or 4 years, at least.

Senator HEINZ. And if the Social Security Protection Bureau slightly rewrote its letter and mailed it again a month after you had looked into it, could they be prohibited from mailing the next month while this was in adjudication?

Mr. MAHONEY. Well, right now we have no method of prohibiting anyone from mailing anything.

Senator HEINZ. So for 3 or 4 years, they could continue to mail?

Mr. MAHONEY. That is correct.

Senator HEINZ. Until the appeals process was exhausted?

Mr. MAHONEY. All that we could do would be if they had returns coming back through the mail, we could bring the civil action under Section 3005 to stop the returns. That way, we could stop the public from losing any more money during the interim of the criminal investigation.

Senator HEINZ. So to sum up in terms of where you are now, where something looks like a Government mailing but is not a Government mailing and does not use exactly the same words as a Government mailing, and people are deceived or confused or mistaken, under those circumstances that is not sufficient to show intent to deceive?

Mr. MAHONEY. That is correct.

Senator HEINZ. Well, as they say, I rest my case. The fact is that people obviously have been confused, they have been deceived, they have been mistaken, and I think you have been very helpful in putting on the record exactly what the difference between proving intent to deceive is and what people can do without running afoul of being subject to being adjudged guilty of intent to deceive. Basically, they can do a lot.

Now, to put that in perspective, it is not this Subcommittee's goal, I don't think—I can't speak for the Subcommittee, but it is not this Senator's goal to get the post office into adjudicating what is and is not free speech. That would be a very difficult task for you.

So I emphasize again, what we are really saying in S. 273 is we don't mind people exercising their free speech. We just don't want them to put their words in our mouths.

Senator KOHL (presiding). You have made a very good case, John.

Senator HEINZ. Thank you, Senator Kohl.

Senator KOHL. You know, it is clear that this is a bill that we need, and I think it is going to get passed.

I am interested in the amount of money that we spend subsidizing these kinds of mail-outs. Last year, I think that authorization was something like $436 million that we spent in subsidizing these kinds of mail-outs.

Where does that authorization come from in each case?

Mr. DAVIS. The permit?

Senator KOHL. The permit, yes.

Mr. MAHONEY. Oh, the permit. Within the past few years, the permit authorizations have been centralized in the five regions of

the Postal Service. So, now, there are just five places where the permits are given out.

Senator KOHL. But they are given out by the Postal Service?

Mr. MAHONEY. Yes.

Senator KOHL. And what process do you go through before you issue that?

Mr. MAHONEY. Well, if the organization is a 501(c)(3) organization, which means that contributions to it are tax-deductible, and they bring in the certificate from the IRS that says you have been designated as a 501(c)(3) organization, generally speaking, the permit is given to them.

There are some 501(c)(4) organizations which have managed to obtain permits to mail at non-profit rates even though their tax designation is not under one of the 501(c)(3) categories—scientific, philanthropic, religious, or educational.

They exist for tax purposes under (c)(4), like a social welfare organization. Yet, they can fit in under the postal authorizing act and the postal regulations and obtain a non-profit mailing permit.

Those types of organizations, generally speaking, would have to provide more evidence than just a tax form to be able to obtain the mailing privileges.

Senator KOHL. So a large part of it comes from their tax-exempt status?

Mr. MAHONEY. Yes.

Senator KOHL. Which comes from the IRS?

Mr. MAHONEY. Yes.

Senator KOHL. And once they have that, getting the subsidy is automatic, in a sense?

Mr. MAHONEY. Technically, it is not automatic, but for practical purposes it almost is, yes.

Senator KOHL. Okay. Now, this isn't your department, but the IRS—how do they give this? Under what basis do they give the tax-exempt status? I mean, when it is clear, for example, that 95 percent of the money that any organization raises isn't being spent for charity, how does this all work?

Mr. MAHONEY. Okay. When the charity first forms, that is when they apply for their tax-exempt status from IRS. I don't profess to speak for them, but I do know a little bit how it works.

They go in and they show IRS, here is our bylaws, here is our incorporation papers, here is the board minutes; this is what we intend to do with the money. And if it is one of the purposes which the statute calls for and it meets the IRS regulations, then the permit is given.

I believe that it is a conditional type of thing that is supposed to be reviewed after a year. Someone from IRS would have to tell you whether they do that or not. But then, of course, they come to the Postal Service and ask for the mailing privileges as well.

Senator KOHL. My concern is that when we pass this bill, people will still find a way to send out mailings which are unscrupulous without the look-alike practices and accomplish a good deal of what they are accomplishing now. It would be a real travesty if that occurred.

It seems to me that the root of it all is to better insure that organizations not truly doing what they are supposed to do don't get

the IRS exemption to begin with. You know, until you get to that point, you are going to have abuses which may not come under your domain, but what is the difference? To the public, it doesn't make any difference whose domain it comes under.

I think what we are talking about here—and correct me if I am wrong—at its root is fraudulent fund-raising. Now, look-alike is one way in which it gets started, but the thing that upsets most of us in this room and in this country are organizations that purport to be charitable, but, in fact, are really not.

Is that right?

Mr. MAHONEY. Well, yes and no. One of the problems is that there have been some Supreme Court decisions, one most notably last summer, which say that a charity is not restricted in the amount that it spends on fund-raising or whatever other expenses. Even if a charity is spending less than 10 percent on the charitable cause, it would violate their First Amendment rights to tell them you can only spend "x" percent on fund-raising or "y" percent on whatever other expenses.

Also, that ruling went even further and stated that a State law that required the fund-raisers to notify the potential givers right up front what the percentages were based on past performance was unconstitutional. The Supreme Court said you cannot put words in their mouths; you cannot tell them to disclose this sort of thing up front.

Now, of course, that only applies to whether it is a charity in regulating the speech itself. It would not apply to whether the percentages would qualify them for tax subsidies or postal subsidies. But right now under the law, there is nothing that covers those.

Senator KOHL. Are you saying that you can get a tax-exempt status even if you spend 3 percent of what you raise on charity?

Mr. MAHONEY. Well, no, I am not saying that. That court decision was basically telling the States, you cannot regulate the amounts of money that charities take in, or whatever. It did not go to the IRS; it was not a tax question.

My opinion as a lawyer, looking at the past decisions, would be that that sort of decision would not apply to taxation or to postal subsidies, or whatever. However, I know that the IRS does monitor to some extent the exempt organizations and can revoke their tax-exempt status.

There is quite a bit of case law on what would be needed in order to do that as far as performance, where the money is going, et cetera.

Senator KOHL. Does that happen very often? Does that revocation take place, to your knowledge, very often or not?

Mr. MAHONEY. To my knowledge, not very often, no.

Senator KOHL. Well, when you look at the two problems of fraudulent fund-raising and the look-alikes, don't you see them as twins in terms of their effect on the American public?

Mr. MAHONEY. Well, the look-alike—I have seen the look-alike in my position more in the commercial area than I have in the charitable area, particularly with Government types of services and Government types of goods, most notably in the area of coinage and things of that nature where somebody calls themselves the something-or-other mint and they set up a mail drop in Philadel-

phia or Washington where there is actually, you know, a Government facility and they sell coins or stamps or whatever that the Government would really sell, and they confuse the public in that way.

Senator Lieberman mentioned earlier the example of the Federal Record Service which was offering to get Social Security numbers for your dependent children. I was involved in the civil action that we took against that organization, and since then they have cleaned up their advertising quite a bit.

But it is more in the commercial area that I see it than the charitable area as far as look-alikes go.

Senator KOHL. Thank you, Mr. Chairman.

Senator PRYOR. Senator Kohl, thank you. I must say that was a very good line of questioning from Senator Kohl, a new Member of the Senate and a new member of this Subcommittee.

Gentlemen, that is all the time I think we will have for this panel. We want to thank you. I have been asked to hold the record open for about 5 days. There are other members of the Committee who will wish to submit to you questions on the legislation.

Also, we have a statement for the record from Senator Sasser of Tennessee which will be included in the record.

[The opening statement of Senator Sasser follows:]

OPENING STATEMENT OF SENATOR SASSER

Mr. SASSER. Good morning, Mr. Chairman. Let me join you and the Subcommittee in welcoming the witnesses for today's hearing to consider S. 273, the Deceptive Mailings Prevention Act of 1989, and consumer mail problems generally.

First of all, I want to thank our distinguished colleagues: Senator Heinz, who with Senator Pryor is co-sponsoring S. 273; Senator Lieberman, who as attorney general of the State of Connecticut was an active protector of consumers against improper lobbying; and the ranking member of our full committee, Senator Roth. I'd like to express my appreciation also to Mr. Jack Swagerty, of the U.S. Postal Inspection Service, and to our witnesses from the American Association of Retired Persons and from several important profit and non-profit mailer groups.

Mr. Chairman, you and Senator Heinz are to be commended for your leadership in sponsoring S. 273. This bill will amend the postal statutes to require so-called government look-alike mailers to print, on both the envelopes and contents, clear disclaimers of affiliation with the Federal Government. This practice by private solicitors, who depict their mailings as official U.S. Government correspondence, is at the least annoying because it's such a blatant attempt to get a foot in the door by misrepresentation. At worst, it can beguile consumers to respond to moneymaking schemes, such as paying to obtain Social Security information which is available from the real government free of charge.

We must always guard against undue censorhip of mail, even if we find it personally disagreeable. That's the balance we strike in favor of the free exchange of information under the first amendment. But I certainly don't think the United States Government has to stand by and allow itself to be parroted by mailers seeking the advantage of an official looking envelope.

In addition to S. 273, we will be hearing this morning about a number of abuses of consumers by unscrupulous mailers. Their practices give honest mailers a black eye. Worse, they offend and too often, defraud unsuspecting postal patrons. I'm sure every member of Congress, like myself, has heard about such practices from irate constituents.

We will hear, for instance, about direct mail solicitations of money which involve crass misrepresentations to the public. Often, these mailers get recipients to respond by pretending that the recipient has already won a valuable prize—which turns out, if it is anything at all, to be a valueless trinket or a few cents.

This sweepstakes ruse is often used in conjunction with so-called charitable solicitations. Let me emphasize again that many reputable non-profit organizations make legitimate use of the mails to raise funds for worthy causes. However, the Postal Service and other investigators have found that some allegedly charitable funds,

which raise literally millions of dollars through direct mail, return as little as 3 percent of the money to charitable purposes. The rest of these huge sums is eaten up by supposed overhead and fundraising expenses, including the salaries and fees of the professional fundraisers who orchestrate these activities.

Lately, I understand, the Postal Service has been investigating and bringing civil proceedings against several funds which claim to be raising money to fight cancer. Indeed, one of the subjects of these investigations, the Cancer Fund of America, is based in Knoxville, in my home State of Tennessee. It has close ties with the Cancer Association of Tennessee, which in 1987 had revenues of over $418,000. Yet donated less than $35,000 toward patient grants and other programs. Because the Cancer Fund of America itself is less than a year old, however, it has not yet filed any annual reports describing its revenues and expenses. In other words, a new charitable fund—with no track record available for public inspection—can use direct mail to solicit potentially huge amounts of cash.

So one of the questions I expect we'll examine today, and hopefully in future oversight hearings, is whether improved reporting requirements or enforcement tools are needed to monitor charitable funds that use direct mail. Our purpose, I repeat, is to protect the postal consumer by separating the sheep from the goats.

Finally, we'll also be hearing about unsolicited mailings of sexually explicit or obscene material. This is particularly offensive to parents in households with young children, as I know from the number that have written to me to complain about this practice. The right of people to read or watch what they choose is one thing, but others have an equal right to cut off, swiftly and permanently, the flow of uninvited pornography to their mailbox. We have laws to enable the interruption of such mailings at the postal patron's request, and I look forward to hearing how these laws are working and how they might be improved.

Thank you, Mr. Chairman.

Senator PRYOR. Senator Sasser's questions will be forwarded to you immediately.

Mr. SWAGERTY. Yes, sir, Mr. Chairman.

Senator PRYOR. We would appreciate your response.

Mr. SWAGERTY. We are very happy to cooperate. Thank you.

Senator PRYOR. Thank you very much.

We will now call on Mr. Erling Johnson, who is the Chairman of the Board of Directors of the American Association of Retired Persons. We are very glad to have Mr. Johnson here. We appreciate your patience in sitting during this hearing this morning. We look forward to your statement.

TESTIMONY OF ERLING JOHNSON, CHAIRMAN OF THE BOARD OF DIRECTORS, AMERICAN ASSOCIATION OF RETIRED PERSONS, ANOKA, MN

Mr. JOHNSON. Thank you very much, Mr. Chairman.

Senator PRYOR. I have read, by the way, the full body of your statement.[1] It will be placed in the record, and if you would summarize it, we would be very, very appreciative.

Mr. JOHNSON. Thank you. I might say to begin with that I have had a very fine education this morning listening to what has been going on. Thank you for that.

Our association, which represents the interests of individuals aged 50 and over, appreciates the opportunity to present its views regarding legislation to curb misleading mailings and solicitations.

AARP is deeply concerned that some deceptive and misleading mailings are targeted towards older persons, many of whom have limited incomes and can ill afford to waste their much-needed resources on items of questionable value to them.

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[1] See p. 175.

Since some of these mailings prey upon the sensitivities and vulnerabilities of such individuals, we fear the elderly are being particularly targeted by some current mailing practices. Older persons tend to place considerable trust in their Government, and that faith should be encouraged, not exploited.

The bill now pending before this Subcommittee, S. 273, the Deceptive Mailings Prevention Act, would broaden the types of prohibited mailings and alter the penalty for non-compliance adopted in last year's catastrophic care legislation.

Failure to comply with the provisions of the legislation would result in the imposition of stiff monetary penalties. The range of penalties should act as a strong deterrent to those seeking to profit from deceptive mailings.

A visit to the mailbox indicates that most households are inundated with mass mailings. They represent a cost effective means of communication. While the vast majority of companies and organizations use mass mailings to reach potential customers and solicit new members, a few groups abuse the practice and mislead the recipient.

In some cases, that group gives the false impression that they represent the Federal Government. As a result, unsuspecting consumers spend their money on an array of unnecessary items.

The Association believes that all citizens should receive adequate protection from fraudulent, deceptive, or misleading mail. On the other hand, we recognize that mass mailings are widely used by legitimate companies and organizations. Thus, it is essential to strike the proper balance between the needed control of fraudulent mailings and the right of legitimate organizations to conduct mailings.

The Association believes S. 273's requirements should help correct many of the abuses currently taking place when private organizations use the names of Federal agencies to imply affiliation.

To that end, S. 273 requires that in order for solicitations which imply a Government connection or endorsement to become mailable, conspicuous notice must be given on the outside covering or envelope stating that this is not a Government document.

In addition, the first page of all such mailings must say in large type that this product has not been approved or endorsed by the Federal Government and this offer is not being made by an agency of the Federal Government. This notice is responsive to the confusion caused by misleading material.

In the opinion of the Association, the penalties in this bill are of sufficient severity to discourage those who mislead the American public, and at the same time the legislation appears to protect reputable mailers.

However, in one area we suggest a widening of the legislation's protective net. The bill should specifically require those selling a service or product which the Federal Government provides free or at a lesser charge to include a disclaimer advising the recipient about the cost of the same service when provided by the Government. This would let the consumer know that a comparable service exists at less cost.

In conclusion, AARP believes S. 273 represents a thoughtful approach to the problem of deceptive and fraudulent mailings. We look forward to working with the Subcommittee to adopt legisla-

tion to protect older persons and the public at large from deceptive mailings.

I thank you very much for the opportunity to present this statement.

Senator PRYOR. Mr. Johnson, thank you, and I have followed with great interest the years of development of the American Association of Retired Persons. You represent a very splendid organization, and I would like, if I might, to ask a couple of questions.

Does AARP work directly with the Postal Service today on these matters? Do you have a relationship with the Postal Service on how you attack some of these problems?

Mr. JOHNSON. I am sorry. I really don't know the answer to that question.

Senator PRYOR. Well, I will tell you, we will leave the record open.

Mr. JOHNSON. We would be glad to respond to that, but I frankly don't know.

Senator PRYOR. Yes. I would simply suggest if there is not such, let us say, a conduit of information between your membership——

Mr. JOHNSON. I would believe that they do, but I can't definitely say yes. We will back in touch with you on that.[1]

Senator PRYOR. Well, we will certainly leave the record open and we will allow the Association to respond and I would strongly encourage it.

Do you have any idea of the number of complaints, we will ask this one for the record to be supplied later—on the number of Government look-alikes that AARP might receive from its membership?

Mr. JOHNSON. Okay. I, again, couldn't answer that one authoritatively.

Senator PRYOR. I think that would be a very good bit of information for the Subcommittee to have.

Mr. JOHNSON. Yes.

Senator PRYOR. Mr. Johnson, once again, we appreciate your coming this morning and thank you for your patience.

Mr. JOHNSON. Thank you very much.

Senator PRYOR. We have two panels. I will call panel number one: Mr. Cary Baer, the Chairman of the Legislative Committee, Third Class Mailers. Mr. Gene Del Polito, I believe, is the Executive Director; and Richard Barton, the Senior Vice President, Government Affairs, Direct Marketing Association.

This is our first panel and we look forward to hearing your statements this morning. Mr. Baer, we will call on you first.

TESTIMONY OF CARY H. BAER, CHAIRMAN, LEGISLATIVE COMMITTEE, THIRD CLASS MAIL ASSOCIATION, WASHINGTON, DC,[2] ACCOMPANIED BY GENE DEL POLITO, EXECUTIVE DIRECTOR

Mr. BAER. Thank you, Senator.

Mr. Chairman, members of the Committee, my name is Cary Baer. I am Vice President of Distribution for the Readers Digest

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[1] See p. 184.

[2] See p. 191 for Mr. Baer's prepared statement.

Association, one of the Nation's largest users of the mail for business purposes.

I appear before you today, however, in my capacity as a member of the Board of Directors of the Third Class Mail Association and as Chairman of its Legislative Committee. Also with me today, as you noted, is TCMA's Executive Director, Gene Del Polito. Specifically, I am here to offer briefly the views of the Third Class Mail Association on S. 273, entitled the Deceptive Mailings Prevention Act of 1989.

Mr. Chairman, TCMA has submitted more complete written comments on this matter and I appreciate your willingness to enter these comments in their entirety in the hearing record.

Briefly, our views are as follows. We support the purposes of this legislation; that is, to end mailing practices that prey on an unsuspecting public by deceptive means.

Indeed, none of our members engage in the practices described by yourself and the other Senators this morning. Frankly, it was very disturbing to see some of the stuff. I think it is pretty obvious that there is an attempt to deceive and really just steal money.

We believe, however, that the proposed definition of unmailable matter may be so inclusive as to render unmailable matter that is not crafted with any deceitful or misleading intent, and may prove difficult to enforce consistently across the United States. Therefore, we recommend that Congress instruct the Postal Service to develop an expeditious dispute mechanism that respects and satisfies the needs of all.

We hope you have found these brief comments helpful and we would certainly be pleased to answer any questions you may have.

Senator PRYOR. Mr. Baer, thank you.

Mr. Del Polito, you have no statement?

Mr. DEL POLITO. Just a comment, but I will offer it after Mr. Barton makes his statement.

Senator PRYOR. Yes.

Mr. Barton.

TESTIMONY OF RICHARD A. BARTON, SENIOR VICE PRESIDENT FOR GOVERNMENT AFFAIRS, DIRECT MARKETING ASSOCIATION, WASHINGTON, DC [1]

Mr. BARTON. Mr. Chairman, members of the Subcommittee, it is a pleasure to be here today. My name is Richard Barton and I am the Senior Vice President of the Direct Marketing Association, which is an association of approximately 3,000 companies that are involved in all phases of direct marketing.

Before I continue, I would like to make one request, however. Your weight reduction package you have there—when you finish using it, I would appreciate having it because I need it. [Laughter.]

Senator PRYOR. I will sell it to you for $50. That is what they sold it for.

Mr. BARTON. Fine.

Even though we represent all phases of direct marketing, which includes telemarketing, 800 numbers on television, and space ad-

[1] See p. 208 for Mr. Barton's prepared statement.

vertising, mail is our foundation, and DMA for the last 72 years has been a leader in the trade association field being committed to self-regulation and working with Federal agencies to be sure that we maintain the highest ethical standards in the industry.

We have two committees which do this. One is our Ethics Policy Committee, which develops our guidelines for ethical behavior in the business in various areas, including broadcast, print, telemarketing and our general ethical business guidelines which are back on the table here.

We are also directly related to some of the things you are talking about today, developing recommendations for ethical guidelines and business practices for the conduct of sweepstakes.

We also have a Committee on Ethical Business Practice which hears and resolves cases of violations of our ethical guidelines and violations of the law. We have handled, in fact, over the past few years 13 specific cases involving misleading Government look-alike envelopes.

We work with the USPS and the Federal Trade Commission in all these areas if we feel that there is a violation of the law, and so we feel that we have a good self-regulation program.

We also have consumer programs that I want to mention quickly—our ability to take people off the mailing lists through our mail preference service; a consumer education program, which we think is very important, to teach people what to look for in deceptive practices in mailing.

We have, in fact, put out a press release that we have sent to action line editors around the country to discuss with them the problems of Government look-alike envelopes. And we have a mail order action line in which we handle up to 40,000 complaints a year by mail and telephone, and we try to resolve their complaints.

I just wanted to point this out to you to show that we not only have a commitment to ethical practices in the industry, but we are working on it very hard. We would like to work with the Subcommittee, as we have in the past, in order to promote these ethical practices in the business.

Our comments on S. 273 are covered completely in the testimony. I will just cover three or four items of concern.

We agree with the principle of the bill; we agree with its thrust. We want to emphasize, as Mr. Davis said, that the approach in our Ethics Committee is that the mailing as a whole should be judged; that if the inside, such as one of the examples here, simply contains an advertisement for an automobile agency, we would generally not consider that an unethical use of the envelope even if it looked like a government envelope.

We would therefore suggest that the package as a whole be looked at and that any disclaimers that you will require be put on the inside of the envelope, which goes along, I believe, with the TCMA suggestions, too.

We also would suggest that wherever you decide to put a disclaimer in this bill that you don't specify the specific language to be used. The reason is that some industry surveys and studies that have been done, and have even been supported in some court cases, show that negative words are sometimes not paid attention to.

So if you say this program is not endorsed by the Federal Government, you may well be indicating to somebody just the opposite as they read it. We think that if you want to specify language that you just tell the Postal Service to draw up the best language to promote what you want to promote and not necessarily specify it in the legislation.

There are four other short points. One is we feel that federally-chartered organizations such as the Disabled American Veterans should be exempt from the bill, as will be explained by our colleagues in the non-profit business.

Also, the business-to-business catalogs—we have discussed this with the staff on both the House and the Senate side. There are a lot of catalogs of business products that go to businesses that supply whole packages of tax documents for an accounting department.

I don't believe that there is any intention that this bill apply to that kind of service. We have been told that by staff, and we don't think the bill applies as it is written now, but we would like to be assured of that if you agree.

The third item is a minor one that you exempt publications, but you do not exempt publications that are free to the public. The same considerations about advertising apply to a free publication, too, and we think that may have been an oversight. We would also endorse the TCMA recommendation about intent to deceive.

Thank you, Mr. Chairman.

Senator PRYOR. Do you feel that we should do something legislatively? I mean, this situation is not going to correct itself. Is that your opinion?

Mr. BARTON. No, I don't think the situation is going to correct itself and we endorse the concept of legislation on this, yes.

Senator PRYOR. Notwithstanding the good-faith effort of the U.S. Postal Service to correct some of the problems we have talked about today, I think we are fighting a losing battle. It seems like there are a proliferation of organizations who are out there to fleece the public, especially those vulnerable elderly people who are taken in by so many of these schemes. Do you sense this?

Mr. BARTON. Oh, yes. I don't know whether there is a proliferation, Mr. Chairman. There are too many of them out there, though, and I think that any steps that we can legitimately take to either eliminate them or reduce their effectiveness should be taken.

I think part of this, too, is a matter of public education, strong consumer education programs warning people about what they may be getting in the mail.

Senator PRYOR. Now, speaking of that, does your organization have such an educational program?

Mr. BARTON. Yes, sir. Not only the guidelines that I have talked about do we distribute, but we also have an extensive public relations program out of New York in which we deal with consumer affairs officials around the country, attorneys general, newspaper editorial boards, and we have a constant flow of information along these lines. I can supply some of the press releases we send out.[1]

[1] See p. 213.

Senator PRYOR. We would like that for the benefit of the Subcommittee and possibly to insert in the record.

Now, the mail preference service that you speak of, Mr. Barton, I think is laudable. Consumers under this could contact the Direct Marketing Association and their names would be placed on a list of those who do not wish to receive material from national mailers.

Now, how do you make this service available to the general public?

Mr. BARTON. We distribute—oh, to the general public, we advertise it. We have free space advertising in some of the magazines that are members of ours, and we are going to promote that a lot more in the future. We used to do it a lot in the past; we haven't done it as much now.

Most major consumer organizations are aware of and have all of our material, and distribute it to the people who ask to be distributed to. About once a year, we send it to Members of Congress, too.

But I think the main way is really just public relations efforts with, as I say, action line editors and consumer affairs newspaper editors throughout the country. We have about 800,000 names on that list. We get well over 100,000 names a year.

Ann Landers, for example, faithfully runs us about once or twice a year and we get ready for the onslaught then. We have found that it is a useful program.

Senator PRYOR. Now, let me ask this, on the look-alike mail issue. You have seen some of the displays this morning of some of the samples that have come to our attention, and I am sure that you see additional samples.

How can we deal with this issue? I mean, it is a very, very fine line. How do most of the mailers feel? Is this their responsibility not to have something to look like a Government document?

Mr. BARTON. In general, I would say yes, and the way that DMA deals with it—and, of course, you realize that we have problems in dealing with this publicly, so I can't talk about specific companies' names.

We apply peer pressure. In cases we think, for example, in a Government look-alike envelope which has a check in it, what looks like a check but it is not really a check, we will have members of the industry—we have sort of a hearing on it with our Ethical Practices Committee, and we will contact the company and strongly suggest that they stop the activity.

I would say that in probably at least 50 or 60 percent of the cases in this area, they do. They don't want to be branded by the industry as misleading people. In some cases, they just don't, and then if there is not a violation of the law then there is no recourse you have.

But I think that peer pressure and personal involvement by prominent members of our industry in this can be very helpful.

Senator PRYOR. Mr. Del Polito?

Mr. Del Polito. Yes. If I might add, I realize Senator Heinz has a very legitimate concern regarding the alternate language that we suggested to the Committee. I might say that our concern is born of the fact that if the people who were charged with the primary enforcement of this legislation were the people from the Postal Service who appeared before the Committee today or their counterparts

or if Senator Heinz was, then we would have no difficulty in going along with the legislation as it has been proposed.

The problem is that the people who are actually responsible for enforcement of the provisions of this bill will be the hundreds of people that are involved in the acceptance of bulk mail at facilities all over the Nation, and our personal experience has been that often what we find is that the intent of legislation can be lost in its implementation.

Our concern relative to the language and relative to some of the other concerns that we have raised is that it is equally as important not only to protect the interests of the recipients of the mail, but also the legitimate interests of the users of the mail.

One thing which you suggested which unfortunately didn't get as warm a reception as I had hoped was the 800 line that you were suggesting to the Postal Service. And one thing that we have suggested is that if Congress believes that it is absolutely essential that this kind of language be enacted, at the very least it should very carefully direct the Postal Service to develop a mechanism for a swift resolution of disputes that may occur between the Postal Service and mailers.

It is equally as costly to mailers to have their mail held up on the loading dock waiting for a long, costly resolution process to wind its way out as it might be perhaps for a prosecutor to have to undergo the same sort of ordeal to legitimately prosecute someone who is in violation of the law.

Senator PRYOR. Thank you, Mr. Del Polito.

Mr. Baer, I noticed on page 3 of your statement, the third paragraph, you might be asserting that it is harmless for a mailer to imply a Government connection to get a recipient to open his mail.

Now, am I reading that correctly?

Mr. BAER. I don't believe—that is certainly not the intent. I think, again, it gets into the issue that Mr. Del Polito implied that sometimes the outsides of envelopes are intended merely to get somebody to open it. And I think there, there may be some difficulty in determining what is deceptive and what is not. It is certainly not our intent to do as you have stated.

I would to just echo what Mr. Del Polito said.

Senator PRYOR. Yes, Mr. Baer, go ahead.

Mr. BAER. I think the concept of an 800 number or some kind of a hotline to the Inspection Service is an excellent idea. We would be concerned if the 40,000 postmasters around the United States were responsible for determining what is deceptive and what is not.

They certainly have a lot of other equally important things to do, and if there could be some means of getting the Postal Inspection Service involved in a hotline to consumers, I think it would ease this problem significantly. It might make it easier for the Postal Service as well.

Senator PRYOR. I assume the Postal Service has thought in the past about the possibility of a clearinghouse, and a clearinghouse could be interpreted also as a censor board. So here we get into First Amendment rights, and others, and it is a very, very complex issue, I know, and we are going to look to you to help us solve this problem because literally, we are being swamped with complaints from people who have received mail they do not want.

They are being duped, they are being scared, they are being preyed upon and their fears are being exploited and their sensitivities are being abused. And so we have got to do something, and Senator Heinz and I are trying to address it in legislation, but we may have to try other avenues, the 800 idea and others.

Mr. BAER. I would like to add to that. I was a member of the Direct Marketing Association Consumer Acceptance Task Force that came up with what, in essence, was a bill of rights for consumers, things that they should expect when ordering products through the mail in terms of billing practices and returned products practices, because the industry has learned that associations like the one that you have got up there tend to turn people off from buying any products through the mail.

Usually, when somebody goes to a retail outlet and buys a suit that doesn't quite fit right, they don't decide not to buy suits; they just decide to go to some other store. In the mail business when somebody buys something through the mail and it doesn't work right, for some reason they get turned off to the entire process.

So we are certainly against the kind of associations that you have up there.

Senator PRYOR. For the past 2 years, I have labored successfully, I might say, on a piece of legislation called the Taxpayers Bill of Rights.

Mr. BAER. We are aware of that, yes.

Senator PRYOR. And now I think that we are going to build on that and try to look at the postal customer's bill of rights. They do have rights and some of their rights are being abused.

I thank all of you this morning, the three of you. You have been very good witnesses and I appreciate your sitting through the hearing this morning.

We now have our final panel. This is panel two: Mr. Mark Silbergeld, President of the Alliance of Nonprofit Mailers; Mr. Robert Brown, Director of Development, Blinded Veterans Association, on behalf of the Nonprofit Mailers. I believe Mr. Silbergeld will be accompanied by Dan Doherty, and Mr. Brown will be accompanied by Carolyn Emigh, I believe is the correct way to pronounce that. Did I do all right on that pronunciation?

Ms. EMIGH. That is correct, Mr. Chairman.

Senator PRYOR. Good, thank you. Thank you very much.

Well, we thank the four of you for sitting with us this morning, and for me it has been an educational experience. I hope it will be productive and certainly constructive in moving this legislation along.

We look forward to hearing your statement, Mr. Silbergeld.

TESTIMONY OF MARK SILBERGELD, PRESIDENT, ALLIANCE OF NONPROFIT MAILERS, WASHINGTON, DC,[1] ACCOMPANIED BY DAN DOHERTY, EXECUTIVE DIRECTOR

Mr. SILBERGELD. Thank you, Mr. Chairman. I am President of the Alliance of Nonprofit Mailers. I am also Director of the Wash-

[1] See p. 220 for Mr. Silbergeld's prepared statement.

ington Office of Consumers Union, and that fact is not unrelated to this bill, although I am here in my capacity as President of the Alliance.

We are here to support the principles set forth in your bill. The Alliance, for its part, takes very seriously the concerns that postal customers have when they receive the kinds of mailings that have been the subject of the hearing this morning.

Legitimate non-profit mailers take very seriously the misperceptions that may result from people being turned off by exactly that kind of mail, and I think that was illustrated very well here this morning.

The piece that is up there on the board, as I understand the testimony, was mailed at the regular rate. And yet I perceive from Senator Kohl's questions, for instance, that some impression has been generated that this sort of mailing is being mailed at the preferred rate, partially at the taxpayers' expense.

And so you can see that when these kinds of practices are permitted to exist, they reflect poorly not only on those who abuse the mails, but also on those who do not, and we are very concerned about that. Consumers Union, of course, also is concerned because it is very concerned about consumers' rights and marketplace practices as well.

However, we do have some concerns and some suggestions about the specifics of S. 273. We think that the bill does need to address the question of deception. I agree with the witnesses from the Postal Service that you cannot only outlaw intent, or mailings that are done with the intent to defraud or deceive, because that is already illegal.

The standard I would suggest is a Federal Trade Commission standard, which is the capacity or tendency to deceive, and that means capacity or tendency to deceive a reasonable person.

Some people have misperceptions or are confused in ways that even a reasonable effort not to deceive cannot avoid. And that brings me to some very specific concerns that some of our members would have.

There are, for instance, well-respected national organizations that may use, for instance, the eagle as part of their logo. Now, some people may perceive that anything involving the eagle means a connection with the Federal Government. That is not true. I certainly hope, however, that the bill is not intending the postmasters throughout the country to refuse to accept for mailing anything that contains the eagle or the word "national" or the term "U.S."

Consumers Union's official title on the New York State charter that we hold, for instance, is Consumers Union of United States, Inc., which we abbreviate to U.S. I certainly hope that if we included our full name on a mailing that the term U.S. or United States would not cause our mailing not to be accepted by the Postal Service.

Likewise, some of the Alliance's members, and I want to mention a few specific ones of a particular kind here—the Association of the U.S. Army, the Disabled American Veterans, the National Association for the Uniformed Services, the Navy League, Paralyzed Veterans of America, and the Society of American Military Engineers—have a special problem.

These are all legitimate non-profit organizations which serve purposes that have some relationship to Federal entities, even though the organizations themselves are not Federal entities. And I certainly would hope that their name on the return would not result in the matter that they seek to place in the mail being ruled as unacceptable.

It is that sort of clarification that we believe S. 273 requires, especially since, as the previous witnesses have pointed out, the law and the regulations or directions that are issued by the Service to the field will be interpreted by many, many people, not simply by a chief counsel in Washington.

With those kinds of clarifications, we certainly would support S. 273, or a revision based on the principles of S. 273. And we are happy to contribute a couple of examples from the pages of Consumer Reports [1] to add to your catalog of the abuses which we would like to see stopped by this kind of legislation.

Thank you very much, Mr. Chairman.

Senator PRYOR. They will be inserted in the record, and we thank you for your statement.

Mr. Brown.

TESTIMONY OF ROBERT B. BROWN, DIRECTOR OF DEVELOPMENT, BLINDED VETERANS ASSOCIATION, ON BEHALF OF THE NONPROFIT MAILERS FEDERATION, WASHINGTON, DC, ACCOMPANIED BY CAROLYN A. EMIGH, ECONOMIC COUNSEL, NONPROFIT MAILERS FEDERATION

Mr. BROWN. Thank you, Mr. Chairman, members of the Committee. My name is Robert Brown. I am the Director of Development for the Blinded Veterans Association. Mr. Chairman, I want to apologize for not having a short statement to read today. I don't read that well without specialized equipment, but I have a few notes I will refer to.

Senator PRYOR. Your full statement will be placed in the record.[2]

Mr. BROWN. Thank you, sir.

Senator PRYOR. And should you like to summarize, we will appreciate it.

Mr. BROWN. Okay. I will just try to summarize some of the more important concerns we have.

I am here today with Ms. Carolyn Emigh from the Nonprofit Mailers Federation. BVA is a member of the Federation, and like the Federation we are unalterably opposed to deception and misrepresentation in the mails. We are opposed to any kind of deceptive mailing practice, whether it involves a carrier envelope or the solicitation letter.

Mr. Chairman, I am the Director of Development for the Blinded Veterans Association. I am in charge of fund-raising for that Association. We are a veterans' service organization; we are a national organization. We were founded in 1945, and we were given a Congressional charter in 1985.

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[1] See p. 226.
[2] See p. 228.

One of our main concerns, and I am sure it is a concern of other veterans organizations also, is: Does our Congressional charter exempt us or exclude us from some of the requirements of S. 273?

The two operative subsections in S. 273 indicate that they do not apply to non-governmental entities where a connection with or approval or endorsement by the Federal Government is apparent or present.

So our question is: Does a congressionally chartered organization, such as the Blinded Veterans Association, have a different status in the bill as it is presently envisioned, and if so, could this be spelled out in the bill or could it be spelled out in the legislative report that accompanies the bill?

I will tell you further of my concerns on this. I raise funds for the Blinded Veterans Association, and we depend upon our direct mail program for the greatest single part of our annual operating funds.

This year, I plan to send out over 7 million letters to donors and prospective donors, and in these letters I use rather vigorous language telling what we have done and what we are going to do for blinded veterans and I make direct reference to Federal agencies.

For example, I refer to the Department of Labor, the Veterans Administration, the Social Security Administration, the Small Business Administration, and I am sure there are others and I am sure there will be others I will refer to.

So my question is: Do we have a connection with these agencies? Take the Labor Department, for example. I know we have a connection there, since one of our field programs is funded through a Title IV-C JTPA grant from the Labor Department.

From the Veterans Administration, we have had contracts, service contracts, with them in the past. We have none at present, although the VA does recognize us as a veterans service organization.

Senator PRYOR. Mr. Brown, let me answer, or try to, if I might interrupt for a moment.

Mr. BROWN. Sure.

Senator PRYOR. The concern you have is whether or not your organization might or might not be exempt from the legislation. Is that your concern?

Mr. BROWN. My concern is: Are we one of those entities, those non-governmental entities, to which those operative sections of the bill do not apply?

Senator PRYOR. All right. Now, if I may ask this question from our own knowledge, is your organization federally chartered?

Mr. BROWN. Yes, sir.

Senator PRYOR. You are federally chartered?

Mr. BROWN. Right. I brought a copy of our Congressional——

Senator PRYOR. Yes. I thought that yours was federally chartered.

Mr. BROWN. Right.

Senator PRYOR. It is my understanding, that the Postal Service believes you would be exempt under this bill because of your Federal charter. I think that this should reassure you and your membership.

And I want you to note that we have taken your concern into consideration and will certainly strive not to infringe upon your rights.

Mr. BROWN. Thank you, sir. We appreciate that, and that would be good if that could be apparent in the documentation.

Senator PRYOR. Mr. Brown, I want to apologize to you, too. I have got to be at a meeting at 12 over in the Capitol.

Mr. BROWN. Could I take just——

Senator PRYOR. I was just going to ask, if you don't mind, if you would just insert whatever remarks you have in the record, if you want to make a final statement.

Mr. BROWN. Yes, I would be very pleased to, sir. Thank you.

Senator PRYOR. Thank you.

Mr. BROWN. Do you want me to make a final statement or just insert——

Senator PRYOR. Well, I have got——

Mr. BROWN. Okay. Mr. Chairman, I apologize again. I am not too clear today.

Our second point was that we are concerned about the latitude and the variety of decisions made by postal inspectors, by postmasters at the local service area where a mailing can be held up and not mailed out, and thus causing great loss to us, to other mailers in the Federation.

We understand there are 39,000 different postmasters throughout the United States that could receive bulk mail and could make their own interpretation of what is deceptive, what is misleading, what is misrepresentation, and hold it up.

We wanted to suggest or ask that the legislation mandate that some sort of dispute resolution mechanism be spelled out in the bill, perhaps an 800 number, perhaps an 800 fax number, where a dispute at the local level could be sent to Washington and resolved in a day rather than 2 weeks or 3 weeks.

Senator PRYOR. I want to thank you for your statement today. You represent a splendid organization.

I have not called on Mr. Doherty, and I wonder if you have any comments.

Mr. DOHERTY. Not particularly, Senator. I would like to answer one of your questions that you put to Mr. John[illegible] about the AARP's direct involvement. The general counsel of the AARP is also a member of the board of the Alliance.

AARP, from my knowledge, is quite directly involved with the Postal Service both through this organization and on their own behalf here in Washington, and certainly in southern California where they do a considerable amount of work, and elsewhere, I am sure.

Senator PRYOR. Good. Thank you very much. We want to thank all of you this morning. One other reason that we had to conclude our hearing is it has now started snowing, and I can't think of a worse place to be snowed in than right here. So maybe those of you who are interested might want to seek your transportation needs and whatever and get back to your offices or your homes.

We do have a statement from the National Committee to Preserve Social Security and Medicare that we will insert in the record.

Thank you very much, all of you, for being at the hearing. Thank you.

[Whereupon, at 11:55 a.m., the Subcommittee was adjourned.]

APPENDIX

101ST CONGRESS
1ST SESSION

S. 273

To amend title 39, United States Code, to designate as nonmailable matter solicitations of donations which could reasonably be misconstrued as a bill, invoice, or statement of account due, solicitations for the purchase of products or services which are provided either free of charge or at a lower price by the Federal Government connection or endorsement, unless such matter contains an appropriate, conspicuous disclaimer, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 3), 1989

Mr. HEINZ (for himself, Mr. PRYOR, Mr. WILSON, Mr. MATSUNAGA, Mr. LEVIN, Mr. WALLOP, Mr. BOND, Mr. RIEGLE, Mr. COHEN, Mr. LUGAR, Mr. BURDICK, and Mrs. KASSEBAUM) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

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A BILL

To amend title 39, United States Code, to designate as nonmailable matter solicitations of donations which could reasonably be misconstrued as a bill, invoice, or statement of account due, solicitations for the purchase of products or services which are provided either free of charge or at a lower price by the Federal Government connection or endorsement, unless such matter contains an appropriate, conspicuous disclaimer, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Deceptive Mailings Prevention Act of 1989".

SEC. 2. AMENDMENTS TO TITLE 39.

(a) PROHIBITION OF DECEPTIVE MAILINGS.—Section 3001 of title 39, United States Code is amended by redesignating subsections (f) and (g) as subsections (i) and (j) respectively, and by inserting after subsection (e) the following:

"(f) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for the purchase of or payment for a product or service; and contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which resembles a seal, insignia, trade or brand name, or any other term, symbol, design, or device that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement in such a manner that may cause confusion, mistake, or deception (unless such nongovernmental entity has such expressed connection, approval or endorsement) is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless—

"(1)(A) such matter bears on its face, in conspicuous and legible type in contrast by typography, layout, or color with other printing on its face, in accordance with regulations which the Postal Service shall pre-

scribe, the following notice: '**THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT.**', or a notice to the same effect in words which the Postal Service may prescribe; and

"(B) the envelope or outside cover or wrapper in which such matter is mailed bears on its face in capital letters and in conspicuous and legible type, in accordance with regulations which the Postal Service shall prescribe, the following notice: '**THIS IS NOT A GOVERNMENT DOCUMENT.**', or a notice to the same effect in words which the Postal Service may prescribe; or

"(2) such matter is contained in a publication for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated he desires to receive, except that this paragraph shall not apply if the solicitation is on behalf of the publisher of the publication.

"(g) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for the contribution of funds or membership fees and—

"(1) contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which resembles a seal, insignia, trade or brand name, or any other term, symbol, design, or device that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement in such manner that may cause confusion, mistake, or deception (unless such nongovernmental entity has such expressed connection, approval or endorsement) or

"(2) mentions by name or implication any department, agency, bureau, board, office, administration, service, system, program or other division or subdivision of the Federal Government in such a manner which reasonably could be interpreted or construed as implying any Federal Government connection, approval, or endorsement in such a manner that may cause confusion, mistake, or deception (unless such nongovernmental entity has such expressed connection, approval or endorsement);

is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless—

"(3)(A) such matter bears on its face, in conspicuous and legible type in contrast by typography, layout,

or color with other printing on its face, in accordance with regulations which the Postal Service shall prescribe, the following notice: 'THIS ORGANIZATION HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT.', or a notice to the same effect in words which the Postal Service may prescribe; and

"(B) the envelope or outside cover or wrapper in which such matter is mailed bears on its face in capital letters and in conspicuous and legible type, in accordance with regulations which the Postal Service shall prescribe, the following notice: 'THIS IS NOT A GOVERNMENT DOCUMENT.', or a notice to the same effect in words which the Postal Service may prescribe; or

"(4) such matter is contained in a publication for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated he desires to receive, except that this paragraph shall not apply if the solicitation is on behalf of the publisher of the publication.

(b) DECEPTIVE MAILINGS AS FALSE REPRESENTATIONS.—Section 3005(a) of title 39, United States Code, is

amended by striking out "section 3001(d)" each place that it appears and inserting in lieu thereof "section 3001 (d), (f), or (g)".

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act shall apply to matter deposited for mailing and delivery on or after the 180th day after the date of the enactment of this Act.

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Deceptive Mailings Prevention Act of 1989
Section-By-Section Analysis

SECTION 1: Short Title - Deceptive Mailings Prevention Act of 1989

SECTION 2: Amendments to Title 39, United States Code.

(a) PROHIBITION OF DECEPTIVE MAILINGS -- creates two new catagories of "nonmailable" matter:

The first -- new section "(f)" -- would give Postal Carriers the authority to hold any piece of mail used to solicit funds for a product or service that uses seals, symbols or other means to imply some connection or endorsement of the Federal Government (where no such relationship exists) and where the product or service is already provided by the government free of charge or at a lower cost. This type of solicitation is "nonmailable" unless it has a conspicuous notice on its face which says "This product or service has not been approved or endorsed by the Federal Government, and this offer is not being made by an agency of the Federal Government." (or a similar disclaimer), and a notice on the envelope which says "This is not a Government document" .

The second -- new section "(g)" -- would require similar disclaimers on solicitations of contributions or membership fees whose advertising uses seals, symbols, or mention of a federal program or agency to imply some connection or endorsement of the Federal Government (where no such relationship exists). This type of mail is "nonmailable" unless it has a conspicuous notice on its face, as well.

Note: under both the new sections "(f)" and "(g)", publishers of newpapers and magazines are not responsible for placing disclaimers on the front of their publications regarding the advertisements in their publication unless the solicitation is on the behalf of that publication.

(b) ENFORCEMENT PROVISION -- Amends Section 3005 of the code, the enforcement section, to include violations of these new "nonmailable" catagories. When it finds these violations, the Postal Service is authorized to stop delivery of any of the responses (including payments) from consumers to the fraudulent scheme and begin an investigation to determine if the misleading mail is illegal or fraudulent.

SECTION 3: Effective Date. This law will apply to all mail deposited 180 days after enactment.

ATTENTION: $2,000.00 FINE OR 5 YEARS IMPRISONMENT or both for any person who knowingly interferes with delivery of this notification.

NONPROFIT ORG
U.S. POSTAGE PAID
GREEN BAY, WISCONSIN
PERMIT NO. 578

Postmaster Deliver To:

Document #
054000

[redacted]

IMPORTANT
JUSTICE DEPARTMENT
REQUEST ENCLOSED

Reply no later than:
FEB. 17, 1989

52

P6822C

SOCIAL SECURITY
PROTECTION BUREAU

WASHINGTON, DC 20069

BULK RATE
U.S. POSTAGE
PAID
SOCIAL
SECURITY
PROTECTION
BUREAU

53

No purchase required to enter

[redacted]

12275

THE CHRONICLE OF PHILANTHROPY

Vol. 1, No. 3 • November 8, 1988 • $2.75

December 20, 1988 • THE CHRONICLE OF PHILANTHROPY •

Some Clients of Watson and Hughey: Where the Money Goes

	Year	Revenue	Fund Raising & Overhead	Public Education	Grants & Other Programs
American Institute for Cancer Research	1986	$17,281,428	$8,540,584	$8,144,851	$2,501,428
United Cancer Council	1987	10,762,045	6,396,258	3,809,512	207,023
Project Cure	1987	3,593,820	1,150,321	2,139,047[1]	0
Adopt-a-Pet	1987	1,445,950	824,235	527,963	32,378
American Heart Disease Prevention Foundation[2]	1986	1,262,256	1,427,328	0	35,000
Coalition to Stop Government Waste[3]	1987	433,654	294,809	292,437	0
Cancer Association of Tennessee	1987	418,766	256,267	90,997	34,532
Walker Cancer Research Institute	1987	109,778	168,813	36,853	0

[1] Includes $1.1 million for "lobbying."
[2] Ended the year with a $200,000 deficit.
[3] Includes the Committee Against Government Waste, a related organization. The coalition ended the year with a $146,515 deficit; the committee had a $7,078 deficit.

SOURCE: ANNUAL FINANCE REPORTS FILED WITH THE NEW YORK SECRETARY OF STATE; INTERNAL REVENUE SERVICE FORM 990-T; AND AUDITED FINANCIAL STATEMENTS

STATEMENT OF SENATOR JOHN HEINZ
BEFORE THE COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE, AND CIVIL SERVICE
ON DECEPTIVE MAILING PRACTICES AND S. 273
FEBRUARY 28, 1989

I am pleased to be here before this Subcommittee to discuss S. 273, the legislation that you and I and other members of our Committee introduced to put an end to the deceptive use of Federal programs and Federal symbols in private fundraising activities. I want to thank you, particularly, Mr. Chairman, for scheduling this hearing so promptly at the beginning of this year. I know you share my commitment to enacting legislation quickly to protect consumers from the growing use of Federal "look-alike" mailings.

All of us, as Members of Congress, have become increasingly aware in recent years of the tricks that are used to deceive consumers into opening mail or sending donations by creating the false impression of an association with the Federal Government. We need to be concerned about this type of deception because it preys on people's basic trust in Government. Worse yet, in an age of growing public mistrust in government, this type of mailing adds significantly to that loss of trust.

These mailings create a tremendous amount of confusion -- mostly among the elderly, who can ill-afford to donate their scarce resources to worthless causes. Many of these older persons think that their Senators and Congressmen are involved in these organizations. Just last week, Ila Smith of Erie, PA, sent me a $5 check made out to a Washington-based mass-mail operation, and said: "Sorry! I sent my application in but neglected putting the check in. My husband Ray...died last August, but I...wanted to send 5.00." She also enclosed her husband's membership cards. Another constituent, "a voter from Sunbury", Pennsylvania, wrote me, saying ..."Senator Heinz, just what do you mean sending letters out to the poor...asking for $10 to save Social Security? You are all getting raises and we are just now hanging on -- wondering how to live from day-to-day." A third constituent, writing after a TV documentary asked me why, if the organization in question was being called a fraud, was my name and that of other Congressmen from Pennsylvania on the organization's petition.

Many of the people who are mislead, contribute hundreds of dollars a year or buy worthless products or services, thinking they are getting something of value, only to discover later that they have been duped. They want us to do a better job of protecting them from these scams:

> From Gibsonia, PA: "I made the mistake of sending him $10 on his promise to save Social Secur' y -- but soon found out he was going to constantly demand money ... you might as well shoot old people as worry them to death."
>
> From Miami, FL: "Without doubt...I've been had. From Feb 1985 until Dec 1986, I contributed $202.00 in 18 payments averaging $10 to $20... I did not read between the lines."
>
> From Phoenix, AZ: "Yesterday I received an envelope from the Social Security Protection Bureau telling me I could be a winner of $50,000 in the Social Security Sweepstakes. Since when has Social Security been in the "gambling business"?

From San Bernadino, CA: "Many intelligent senior citizens are heard expressing their confusion and dismay as they try to work their way through even the official Medicare material. Surely we don't need the hucksters to muddy up things in addition."

S. 273 would provide the protection these older Americans are asking for. Specifically, the bill is intended to stop three types of deceptive mailing practices implying a Federal Government connection. The first is the "look-alike envelope". This is a mailing that uses either a familiar Federal symbol, brown paper envelope, Treasury check format, or quasi-official statement on the envelope to get the consumer to open the letter. In some cases, the envelope tries to look like a Federal envelope that would have a check or official notice enclosed. In other cases, there is a printed message on the envelope, such as: "Important Social Security and Medicare Information Enclosed". In either case, the individual is expected to open the mail thinking there is an official government document enclosed.

The second type of deception uses the "sound-alike name". This approach implies an association with the Federal Government in the body of the letter using organization names that sound like Federal agencies -- Social Security Protection Bureau, The Bureau of Social Security Services, National Records Advisory, The Internal Review Service, Revenue Department, National Health and Medical Services. The mailers also use references to Federal programs in ways that imply a Federal connection where there is no connection. The National Senior Advisory Center, in a mailing that looked like a notice from HCFA, misled its elderly readers about changes in Medicare to get them to send for information on Medigap policies.

The third type of deceptive practice is the "sale of Federal services". This approach offers consumers products or services that are already available free-of-charge from the Government. For example, for $10 the National Records Advisory will mail an application for a Social Security card. Other organizations offer embossed Social Security cards and earnings records for a membership fee of $7. In some cases, the consumers are led to believe that they are buying services the organization does not and cannot provide. The Social Security Protection Bureau used quotes from Aging Committee hearings about errors in Social Security checks to mislead consumers into believing they were buying some kind of protection from Social Security errors.

Mr. Chairman, S. 273 would put an end to these deceptive practices by giving the Postal Service the authority to require that Federal "look-alike", and other quasi-Federal documents carry a clear and prominent disclaimer on the envelope and on the enclosed document itself. The disclaimers would state that the document was not a Government document and that the organization was not approved or endorsed by the Federal Government. Any material implying such an affiliation and not carrying the disclaimers would be "non-mailable".

As you know, under the law now, the Postal Service has a variety of effective enforcement tools to shut down those mailers who failed to print required disclaimers on their material. The Postal Service can direct the return of the "non-mailable" material, can forbid payment of money orders or postal notes to the senders, and require that the mailer cease and desist. In addition, the Postal Service may seek a temporary restraining order to stop the delivery of the sender's incoming mail -- the mail that would contain checks from consumers. Using all of these approaches, the Postal Service can effectively prevent a mailer from making a profit by confusing and misleading elderly consumers.

This legislation is simply an effort to require mailers who are faking a Federal Government connection to dislaim any relation to the Federal Government. We are not infringing in any fashion on the activities of legitimate, reputable, private mailers who do not use these kinds of tactics to raise money. And even those who do use these tactics are prohibited from mailing their material, they are merely required to disclose that their material is not Government material.

Mr, Chairman, the need for this legislation is great, and I think we have come a long way in the past year in meeting the concerns of legitimate mailers. I hope the Subcommittee will be able to mark-up S.273 soon so that we can put an end to these deceptive practices. There are a lot of innocent people being scared, confused, and cheated every day. As a couple from Texas wrote: "This type of mail, if received by a woman who is alone and depends solely on Social Security to survive, would probably terrify the poor soul into thinking she has to send in the requested amount, for fear of losing her checks... Please see if there isn't something that you can get done, to prevent old people from being "duped" by such business practices."

This bill is that something that can get done. I urge you to act quickly to protect the elderly and others who rely on Government checks from being fleeced, to protect the average person from being deluged by Federal "look-alike" mail, and to protect the Government itself from the consequences of a citizenry confused about the truly "official business" which we must conduct. I appreciate the tremendous work you and the Subcommittee staff have already done on this legislation. Last year we worked closely with the Postal Service and the organizations that represent reputable profit and non-profit mailers. I hope we can continue to have the support and assistance of these groups in reporting a bill that will do the job.

DEPT. OF COMMUNICATIONS
ELECTRONIC MAIL SECTION
NATIONAL C-MAIL CENTER
4501 CIRCLE 75 PARKWAY
SUITE F - 6205
ATLANTA, GEORGIA 30339

DATED MATERIAL

TAMPA
DROP SHIPMENT
AUTHORIZATION 61

CLEARWATER FLA. NOV 16 '87
U.S.POSTAGE
22
PERMIT 790223

POSTMASTER:
If undeliverable as addressed please refer to section 159 of the official DMM.

ADDRESSEE: If you have moved notify: Postal Service or any other Agency handling your account. Include account number, if any.

THE SUM OF SEVEN HUNDRED THIRTY-TWO &

Acct. No. 1510-9215071

Pay to the order of LAURA ERBS
632 E CAPITOL ST APT 3
WASHINGTON, DC 20003

10912 1: 220571

NATIONAL RECORDS ADVISORY
WASHINGTON, DC

RE: SOCIAL SECURITY NAME CHANGE

PUB	X-REF	
VT	31087	

DATACARD

A NON-GOVERNMENTAL ER..... PROVIDING ADMINISTRATIVE ASSISTANCE TO INDIVIDUALS IN PROCESSING SOCIAL SECURITY NAME CHANGES

IMPORTANT: A MAKE CHECK OR MONEY ORDER FOR $10.00 PAYABLE TO **RECORDS ADVISORY**
B DO NOT RETURN **ANY** DOCUMENT WITH THIS CARD

[redacted]

"SEE LETTER ENCLOSED FOR INFORMATION REGARDING YOUR SOCIAL SECURITY NAME CHANGE"

NATIONAL RECORDS ADVISORY
1000 Connecticut Avenue, N.W. Suite 9
Washington, DC 20036

NATIONAL PROCESSING CENTER

County records indicate that you may have recently changed your name.

It is important that this change be processed as quickly as possible so that you may be issued a new Social Security card.

While the procedure is not particularly complicated and can be handled at no charge if you go direct to Social Security, you will be required to submit certain documents; since the paperwork will require some of your time and attention, it is a chore that can be easily postponed or neglected entirely.

National Records Advisory, a non-governmental agency, will handle the clerical details for you. Just fill in the enclosed DATACARD and return it to us together with your check or money order for $10. This is our service fee, and is not a Social Security charge.

National Records Advisory will then secure the proper forms, complete the application for your new Social Security card, and return the completed application for you to check for accuracy before submitting it to SS.

For most Americans, Social Security is the single most important insurance package they have. It provides retirement and disability benefits, hospital Medicare coverage, survivor benefits, and other financial protection. Your name change will help protect these benefits by keeping your records up to date.

We will handle the details for you. Fill in the DATACARD now. Return it promptly to us along with your check or money order for $10 made payable to

National Records Advisory

© 1985 Records Advisory

NATIONAL RECORDS ADVISORY
1000 Connecticut Avenue, N.W. Suite 9
Washington, DC 20036

NATIONAL PROCESSING CENTER

Los registros del Condado indican que recientemente usted posiblemente haya cambiado su nombre.

Es importante que este cambio sea procesado por la Administración del Seguro Social lo más pronto posible, para que usted pueda obtener una tarjeta nueva del Seguro Social.

Anunque el procedimiento no es nada complicado y se puede ser hecho sin encomienda si va directamente a Seguro Social, tendrá que presentar ciertos documentos; como el trabajo clerical exigirá algo de su tiempo y atención, es una tarea que fácilmente se puede posponer en todo.

National Records Advisory, que no es una agencia del gobierno, hará los detalles para usted. Sólo llene la tarjeta incluida y devuélvanosla con un cheque o giro postal por la cantidad de $10. Ésta es nuestra cuota de servicio y no es una carga del Seguro Social.

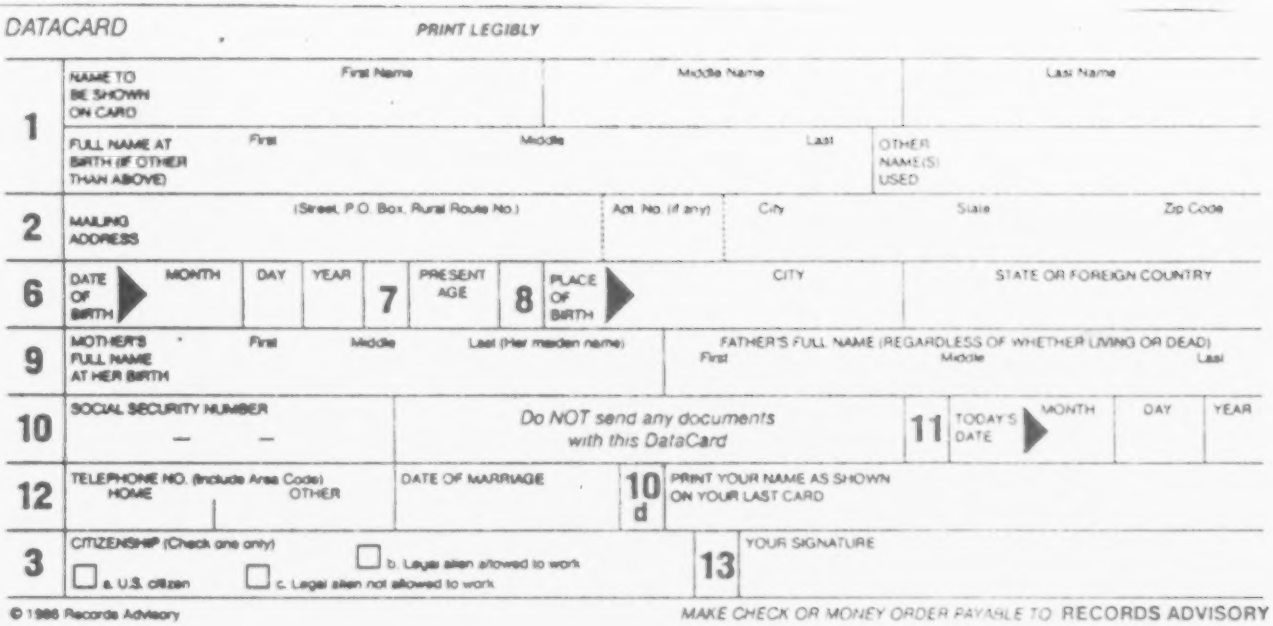
National Records Advisory entonces obtendrá las formas necesarias, llenará la aplicación para su tarjeta nueva de Seguro Social y le devolverá le aplicacion completa para que usted la revise antes de entregarla al S.S.A.

Para la mayoría de americanos, Seguro Social es el más importante paquete de seguros que tienen. Provee beneficios para el retiro y para la incapacidad, paga Medicare en el hospital, beneficios a sobrevivientes y otras protecciones monetarias. El cambio de su nombre mantendrá sus documentos corrientes y protegera estos beneficios.

Nos encargaremos de los detalles para usted. Llene la DATACARD ahora y devuélvala lo más pronto posible con un cheque o giro postal por la cantidad de $10 pagable a

National Records Advisory

It is a violation of United States copyright laws to duplicate or reprint any part of this document



DATACARD

PRINT LEGIBLY

1 NAME TO BE SHOWN ON CARD — First Name | Middle Name | Last Name

FULL NAME AT BIRTH (IF OTHER THAN ABOVE) — First | Middle | Last

OTHER NAME(S) USED

2 MAILING ADDRESS — (Street, P.O. Box, Rural Route No.) | Apt. No. (if any) | City | State | Zip Code

6 DATE OF BIRTH ▶ MONTH | DAY | YEAR

7 PRESENT AGE

8 PLACE OF BIRTH ▶ CITY | STATE OR FOREIGN COUNTRY

9 MOTHER'S FULL NAME AT HER BIRTH — First | Middle | Last (Her maiden name)

FATHER'S FULL NAME (REGARDLESS OF WHETHER LIVING OR DEAD) — First | Middle | Last

10 SOCIAL SECURITY NUMBER — — —

Do NOT send any documents with this DataCard

11 TODAY'S DATE ▶ MONTH | DAY | YEAR

12 TELEPHONE NO. (Include Area Code) HOME | OTHER

DATE OF MARRIAGE

10 d PRINT YOUR NAME AS SHOWN ON YOUR LAST CARD

3 CITIZENSHIP (Check one only)

☐ a. U.S. citizen ☐ b. Legal alien allowed to work ☐ c. Legal alien not allowed to work

13 YOUR SIGNATURE

© 1986 Records Advisory

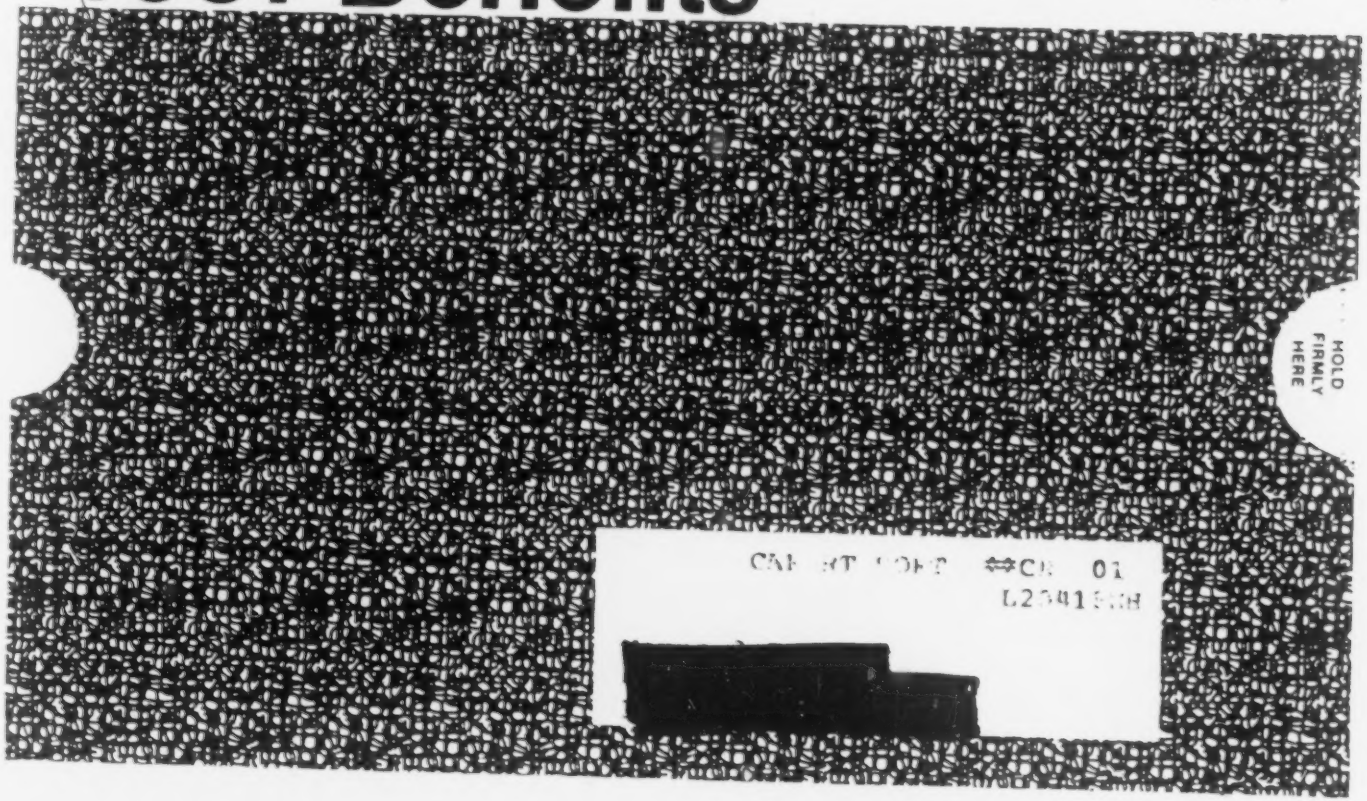
MAKE CHECK OR MONEY ORDER PAYABLE TO: RECORDS ADVISORY

It is a violation of United States copyright laws to duplicate or reprint any part of this DATACARD

Supplement to

1987 Benefits

BULK RATE
U.S. Postage
Paid
Dallas, Tx
Permit 1178



NATIONAL SENIOR ADVISORY CENTER

* IMPORTANT NOTICE: NEW MEDICARE CHANGES FOR FLORIDA RESIDENTS *

Your Medicare benefits have been reduced by Congress as of 1987. Now Medicare pays less than 50% of your health care costs and you are responsible for all of the unpaid balance.

Mail this postage paid card by March 31, 1987 for free information on a special plan now available that will pay 100% of DOCTOR CHARGES, 100% of HOSPITAL COSTS and 100% of ALL OUTPATIENT CARE not paid by Medicare.

Plans also available that will pay long term nursing care at home.

Name:.....

Husband's age:.....

Wife's age:.....

Phone:.....

CAR RT SORT **CR 01
L20416HH

[redacted]

PLEASE VERIFY ADDRESS
NOT AFFILIATED WITH
ANY GOVERNMENT AGENCY

P6822C

SOCIAL SECURITY
PROTECTION BUREAU

WASHINGTON, DC 20069

BULK RATE
U.S. POSTAGE
PAID
SOCIAL
SECURITY
PROTECTION
BUREAU

65

No purchase required to enter

[redacted]

12225

SOCIAL SECURITY PROTECTION BUREAU

WASHINGTON, DC 20069

Dear Friend:

You could be a winner in the "Social Security" $50,000 Sweepstakes!

Plus you're guaranteed to receive a valuable "Mystery Gift" when you help protect your social security benefits by sending your check for $7 to join the Social Security Protection Bureau.

So today complete and return the enclosed Official "Social Security" $50,000 Sweepstakes Coupons along with your $7 check.

Right now you may stand to collect over $90,000 in Social Security benefits for your first 10 years of retirement. That's why you need the Social Security Protection Bureau to help you protect this big investment. As a Bureau member, you'll be entitled to all these valuable benefits.

Your Personal Gold Embossed Social Security Card to replace the paper social security card you now own. If lost or stolen, paper Social Security Cards can be changed so that illegal aliens, etc. can actually use your social security number. That's why you should have a plastic Social Security Card. Our plastic cards are durable, almost impossible to alter or change, are accepted everywhere your paper card is, and can be used as proof of identification for check cashing, etc.

Personal Statement of Your Social Security Record which we will help you get directly from the Social Security Administration. Every year hundreds of thousands of Americans are not given proper credit for money they pay into Social Security. That's why it's so important you get a statement from Social Security which shows exactly how much you've paid in. Should there be any errors you can correct them before it's too late.

$500 Reward for information leading to the arrest and conviction of anyone who steals your Social Security Card, illegally uses your social security number, or tries to fraudulently collect your Social Security benefits.

Social Security Guide to Retirement sent to you every year. This short, easy to understand guide will keep you posted on all the different rule changes and procedures you need to know to qualify for maximum social security benefits.

Representation in Washington, D. C. to protect your Social Security Benefits. Our staff will constantly monitor proposed legislation in Washington, D.C. to make sure you won't lose any of the Social Security and Medicare benefits you're entitled to.

Your Social Security benefits are too important to leave unprotected.

That's why I urge you to join the Social Security Protection Bureau -- and why we're offering you a chance to be a winner in the "Social Security" $50,000.00 Sweepstakes.

over, please

Social Security Protection Bureau is not affiliated with the Federal Government

Not affiliated with the U.S. Government

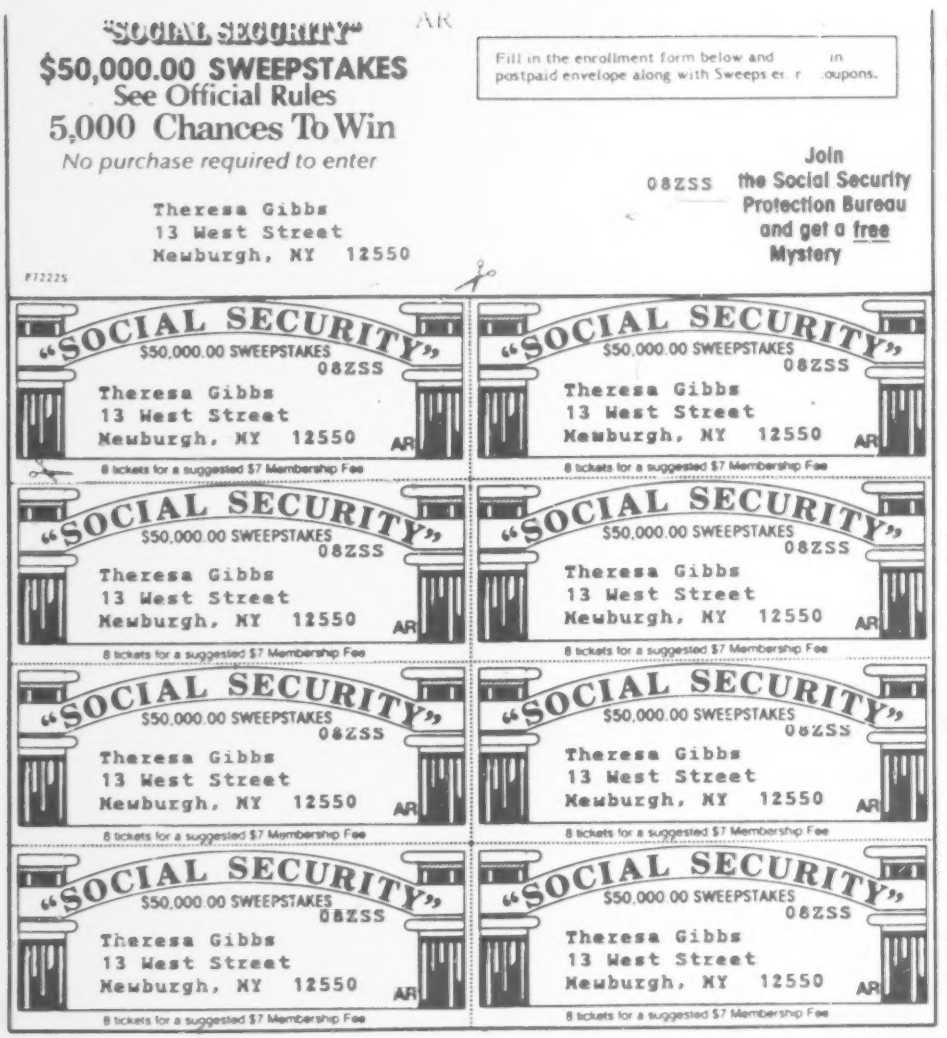
No payment is required to enter the Sweepstakes. However, if you enroll as an SSPB member for one year by sending us your check for $7 along with your coupons, you'll be guaranteed to win a valuable "Mystery Gift" -- a prize I know you'll enjoy. Plus you'll receive your SSPB membership kit by return mail.

So send your Coupons and your $7 check today . . .

. . . and good luck!

Sincerely,

P. D. Morris
Program Director



"SOCIAL SECURITY" AR

$50,000.00 SWEEPSTAKES

See Official Rules

5,000 Chances To Win

No purchase required to enter

Theresa Gibbs
13 West Street
Newburgh, NY 12550

P72225

Fill in the enrollment form below and in postpaid envelope along with Sweeps er r coupons.

08ZSS

Join the Social Security Protection Bureau and get a free Mystery

"SOCIAL SECURITY"
$50,000.00 SWEEPSTAKES
08ZSS
Theresa Gibbs
13 West Street
Newburgh, NY 12550
AR
8 tickets for a suggested $7 Membership Fee

"SOCIAL SECURITY"
$50,000.00 SWEEPSTAKES
08ZSS
Theresa Gibbs
13 West Street
Newburgh, NY 12550
AR
8 tickets for a suggested $7 Membership Fee

"SOCIAL SECURITY"
$50,000.00 SWEEPSTAKES
08ZSS
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"SOCIAL SECURITY"
$50,000.00 SWEEPSTAKES
08ZSS
Theresa Gibbs
13 West Street
Newburgh, NY 12550
AR
8 tickets for a suggested $7 Membership Fee

MEMBERSHIP ENROLLMENT CERTIFICATE

08ZSS

Theresa Gibbs
13 West Street
Newburgh, NY 12550

X YES, enter me in the "Social Security" $50,000.00 Sweepstakes, send me my free "Mystery Gift" and enroll me as a one-year member of the Social Security Protection Bureau. Send me my membership kit containing my Social Security Guide to Retirement, $500 Reward Certificate, application to obtain a personal statement of my social security records, and a personal gold embossed Social Security Card.

My Social Security number is (please print clearly) 1 1 6 - 2 4 - 7 1 8 3

Here is exactly how I wish my name to be embossed on my plastic Social Security Card: (Please Print)

THERESA | | GIBBS
First Name | Middle Initial | Last Name

Enclosed is my check for $7 payable to Social Security Protection Bureau.

Please charge my (Check one) ☐ VISA ☐ MASTERCARD Exp. Date

☐ NO, I don't want a free "Mystery Gift" or the protection offered by the Social Security Protection Bureau. Please enter me in the "Social Security" $50,000.00 Sweepstakes and let me know if I'm a winner.

SOCIAL SECURITY PROTECTION BUREAU - WASHINGTON, DC 20069

Social Security Protection Bureau is not affiliated with the Federal Government

$50,000 SWEEPSTAKES—AR
OFFICIAL RULES

1. To enter complete the official entry/contribution (or order) form and return it in the appropriate envelope provided; with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 15, 1988. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.

2. Winners will be determined in random drawings on or before December 30, 1988, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date on notification. No substitutions for prizes except as may be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are nontransferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners' names and likenesses for publicity purposes without additional compensation.

3. Approximate retail value of the prizes are as follows: One Grand (up to a range of $16,233), one First (up to a range of $3500), two Second (up to $1124 each), three Third (up to a range of $570 each), 5,000 Fourth ($5.45 each).

4. The $50,000 Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 100 million letters. Winners will have their choice of any prize offered at level won.

5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S. 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising and production agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.

6. For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1988 to: $50,000 Sweepstakes Winners, P.O. Box 659, Lowell, IN 46399.

Social Security Protection Bureau is not affiliated with the Federal Government.

WHY YOUR MEMBERSHIP IN THE SOCIAL SECURITY PROTECTION BUREAU IS SO IMPORTANT

"Carole Williams of Pittsburgh told the Committee that because Social Security erroneously logged the date of her father-in-law's death, Medicare refused to pay his final doctor bills and the government yanked $381 in alleged Social Security overpayments from his widow's savings account without notifying her."

WASHINGTON POST, DECEMBER 2, 1983

Some earnings records are never posted to their owners' accounts because of mistakes in name or social-security number. If your entire earnings history is not on file, you'll get a smaller social-security check than you deserve.

NEWSWEEK, JUNE 7, 1982

"Illegal aliens are a big market for counterfeit (Social Security) cards, which they obtain in order to qualify for jobs. Fake cards go for up to $50".

USA TODAY, OCTOBER 31, 1983

Most people don't realize the many errors and omissions in crediting earnings to personal Social Security Accounts (over 4,500,000 alone in 1983). The time limit is 3 years, 3 months and 15 days. After that errors often can never be corrected. This could reduce your benefits every month for life.

James Roosevelt, Chairman
National Committee to Preserve
Social Security and Medicare

SPECIAL $50 MILLION OPPORTUNITY BONUS . . .

. . . for members only

Send us your membership fee for $7 or more today . . . and within the next 120 days you could automatically qualify for up to 20 other Sweepstakes, contest, and Canadian lottery offers with total prizes of over $50,000,000. (That's right fifty million dollars!)

Here are some of the prizes our members may get a chance to win.

Tasco Zoom Binoculars
7-Day Disneyland Vacation for 2
5-piece Silverplate Tea Set
Giant 78" Color TV
Mink Coat
Butcher Block Gourmet Work Table
Jaguar Sports Car
$10,000 Cash
32 foot Itaska Windcruiser Motor Home
7-Day Paris, France Holiday for 2
Sony Trinitron 19" Color TV
1986 Dodge 600ES Turbo Convertible
$85,000 luxury vacation home
Mercedes 380SL
"Millionaires" Tour of Europe
6-piece designer luggage
One Million Dollars Cash
$21,000 Cash
Dodge Lancer
$66,666.00 per year for 30 years
Caribbean Cruise
$1,000,000 Cash
Magnavox Video Recorder
New Kitchen
Chevrolet Blazer
Pontiac 6000 STE 4-door Sedan
$25,000 Cash
Mercedes Benz 500 SEL Coupe
Seth Thomas Mantle Clock
$5,000 Cash
Winnebago Camper
Sony Walkman FM Radio
$1,000 Cash
$100,000 Cash

If you want a chance to win these great prizes and more, send your check for $7 to join the Social Security Protection Bureau.

SOCIAL SECURITY PROTECTION BUREAU
WASHINGTON, DC 20069

P6B22PN5

Antique data-processing procedures have caused social security to fall behind in posting earnings to individual accounts.
Some people lose benefits by failing to check their records regularly. For example, your employer may put the wrong name or social security number on the statement sent to the government so that those earnings are never posted to your account. The Social Security Administration has $87.9 billion in unclaimed earnings records, some dating back to 1937.

WOMEN'S DAY, SEPTEMBER 14, 1982

A 1983 General Accounting Office Report estimated one in five beneficianes will have at least one error in their check in five years. 60 percent won't be corrected. Unfortunately, recipients are three times more likely to be underpaid than overpaid"

USA TODAY, AUGUST 9, 1985

Don't panic, but your social security records may have been fouled up by the Social Security Administration.
An audit by the General Accounting Office two years ago left no doubts . . . The agency examined the files of 208 persons around the country who reached age 68 in October 1982 and were receiving retirement benefits. About 18% of the recipients—nearly one out of every five—had been underpaid at least once. The amounts ranged from less than $1 to more than $4,800.

CHANGING TIMES, FEBRUARY 1985

"The Social Security Administration owes 1.4 million retirees who work part time a total of more than $1 billion, the General Accounting Office said . . . government workers found that underpayments had been made in 86 percent of the cases it reviewed for 1979-80. They averaged $575 for single persons and $633 for families."

WASHINGTON POST, APRIL 26, 1983

"One in five retirees receives an incorrect payment due to an administrative error at some time over a five-year period. More disturbing yet is that usually the error is in the Social Security Administration's favor and usually it goes undetected."

U.S. Senator John Heinz (R-Pa)

Jacob Gibbs
13 West Street
Hillsborough, NH 03244

SOCIAL SECURITY
PROTECTION BUREAU
WASHINGTON, DC 20069

73

TESTIMONY OF JACK E. SWAGERTY
BEFORE THE
SUBCOMMITTEE ON FEDERAL SERVICES,
POST OFFICE AND CIVIL SERVICE
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

FEBURARY 28, 1989

MR. CHAIRMAN, I AM JACK E. SWAGERTY, ASSISTANT CHIEF POSTAL INSPECTOR FOR CRIMINAL INVESTIGATIONS. I AM DELIGHTED TO APPEAR IN SUPPORT OF S.273 AND PARTICIPATE IN YOUR INQUIRY CONCERNING CURRENT DECEPTIVE MAILING PRACTICES.

THE POSTAL INSPECTION SERVICE IS THE LAW ENFORCEMENT AND AUDIT ARM OF THE POSTAL SERVICE. HAVING INVESTIGATED CRIMES AGAINST THE POSTAL SERVICE AND OUR CUSTOMERS FOR MORE THAN 200 YEARS, WE ARE ONE OF THE OLDEST INVESTIGATIVE AGENCIES OF THE UNITED STATES GOVERNMENT. WE HAVE AUTHORITY TO SERVE FEDERAL WARRANTS AND SUBPOENAS AND TO MAKE ARRESTS FOR POSTAL RELATED OFFENSES.

WE SEEK TO PREVENT CRIMINAL ASSAULTS AGAINST THE POSTAL SERVICE OR ITS EMPLOYEES AND MISUSE OF THE NATION'S POSTAL SYSTEM. WE HAVE INVESTIGATIVE RESPONSIBILITIES OVER SUCH OFFENSES AS: ARMED ROBBERIES; MURDER OF, OR ASSAULTS UPON, OUR EMPLOYEES; BURGLARIES; THEFT OF MAIL; MAILINGS OF OBSCENE MATTER, BOMBS, DRUGS; AND, USE OF THE MAILS TO SWINDLE THE PUBLIC. DURING OUR LAST FISCAL YEAR, POSTAL INSPECTORS CONDUCTED OVER 15,500 CRIMINAL INVESTIGATIONS AND MADE OVER 10,000 ARRESTS. UNDER

LEGISLATION ENACTED BY THE LAST CONGRESS, WE ALSO SERVE AS THE INSPECTOR GENERAL OF THE POSTAL SERVICE WITH ENHANCED RESPONSIBILITY AND AUTHORITY TO PREVENT FRAUD, WASTE AND ABUSE WITHIN THE POSTAL SERVICE.

TO MEET THESE RESPONSIBILITIES, AND TO PROVIDE SECURITY FOR OUR EMPLOYEES, OUR FACILITIES, AND OUR CUSTOMERS' MAIL, WE EMPLOY 1,946 POSTAL INSPECTORS, 1,568 POSTAL POLICE OFFICERS, AND ABOUT 800 PROFESSIONAL, TECHNICAL, AND SUPPORT EMPLOYEES. AMONG OUR INSPECTORS ARE LAWYERS, CERTIFIED PUBLIC ACCOUNTANTS, STATISTICIANS, ECONOMISTS, CRIMINOLOGISTS AND MEMBERS OF OTHER PROFESSIONAL DISCIPLINES.

AMONG MY OTHER DUTIES, I AM RESPONSIBLE FOR THE DEVELOPMENT AND NATIONAL IMPLEMENTATION OF THE EFFORTS OF THE POSTAL INSPECTION SERVICE TO ENFORCE TWO OF THE FEDERAL GOVERNMENT'S OLDEST CONSUMER PROTECTION LAWS: THE MAIL FRAUD ACT OF 1872 - NOW CODIFIED AS SECTION 1341 OF TITLE 18, UNITED STATES CODE; AND, THE POSTAL FALSE REPRESENTATION STATUTE, ALSO ENACTED IN 1872 - NOW CODIFIED AS SECTION 3005 OF TITLE 39, UNITED STATES CODE.

ANY SCHEME INTENTIONALLY TO DEPRIVE SOMEONE OF HIS PROPERTY THROUGH FALSE OR FRAUDULENT PRETENSES OR REPRESENTATIONS, WHERE USE OF THE MAILS IS AN ESSENTIAL ASPECT OF THE SCHEME, VIOLATES THE MAIL FRAUD STATUTE. PERSONS WHO VIOLATE THE STATUTE ARE GUILTY OF A FELONY AND ARE SUBJECT TO FINES AND IMPRISONMENT.

WHERE WE HAVE REASON TO BELIEVE THAT THE STATUTE IS BEING VIOLATED WE PRESENT EVIDENCE TO THE APPROPRIATE UNITED STATES ATTORNEY. THE AUTHORITY TO PROSECUTE VIOLATORS RESIDES WITH THE ATTORNEY GENERAL AND HIS DELEGATES.

LAST YEAR WE DEVOTED APPROXIMATELY 610,000 WORKHOURS TO THE INVESTIGATION OF MAIL FRAUD SCHEMES. WE CONDUCTED OVER 1,600 MAIL FRAUD INVESTIGATIONS AND MADE MORE THAN 1,400 ARRESTS.

ANY ATTEMPT TO OBTAIN MONEY OR PROPERTY THROUGH THE MAILS BY FALSE REPRESENTATIONS OR THE OPERATION OF A LOTTERY VIOLATES THE POSTAL FALSE REPRESENTATION STATUTE. WHERE WE IDENTIFY AN APPARENT VIOLATION OF THIS STATUTE, WE PRESENT EVIDENCE OF THE VIOLATION TO THE GENERAL COUNSEL OF THE POSTAL SERVICE WITH A REQUEST THAT ADMINISTRATIVE PROCEEDINGS BE INITIATED BEFORE THE JUDICIAL OFFICER OF THE POSTAL SERVICE. IN SUCH CASES, WE SEEK ADMINISTRATIVE ORDERS THAT REQUIRE THAT MAIL IN RESPONSE TO A MISREPRESENTATION OR LOTTERY SCHEME BE RETURNED TO THE SENDERS, AND, UNDER A 1983 AMENDMENT -SPONSORED BY SENATOR PRYOR- TO DIRECT THE OPERATOR OF THE SCHEME TO CEASE AND DESIST FROM CONTINUING UNLAWFULLY TO USE THE MAILS. PURSUANT TO SECTION 3012 OF TITLE 39, UNITED STATES CODE, WHICH WAS ENACTED AS PART OF THE 1983 AMENDMENT, THE FEDERAL COURTS MAY IMPOSE CIVIL PENALTIES OF UP TO $10,000 PER DAY UPON PERSONS WHO VIOLATE THESE CEASE AND DESIST ORDERS.

OUR CIVIL AUTHORITY ALSO INCLUDES A VERY USEFUL INJUNCTION STATUTE. SECTION 3007 OF TITLE 39, UNITED STATES CODE, ALLOWS THE FEDERAL COURTS TO ORDER THE POSTAL SERVICE TO WITHHOLD FROM DELIVERY MAIL WHICH THE COURT FINDS PROBABLE CAUSE TO BELIEVE IS IN RESPONSE TO A FALSE REPRESENTATIONS OR LOTTERY SCHEME. THE WITHHELD MAIL IS RETAINED BY THE POSTAL SERVICE UNTIL THE CONCLUSION OF ADMINISTRATIVE PROCEEDINGS INITIATED UNDER SECTION 3005 AND ANY JUDICIAL REVIEW OF THOSE PROCEEDINGS. WHERE THE POSTAL SERVICE PREVAILS, THE MAIL IS RETURNED TO THE SENDERS. WHERE THE PERSON AGAINST WHOM THE PROCEEDING WAS INITIATED PREVAILS THE MAIL IS DELIVERED TO HIM.

DURING FISCAL YEAR 1988, WE INITIATED 633 FALSE REPRESENTATIONS PROCEEDINGS, OBTAINED 123 FALSE REPRESENTATION ORDERS, AND ACCEPTED 494 CONSENT AGREEMENTS UNDER WHICH THE RESPONDENT CONSENTED TO THE ENTRY OF A CEASE AND DESIST ORDER AND AGREED TO DISCONTINUE THE CHALLENGED SCHEME.

THE 1983 AMENDMENTS HAVE MADE SECTION 3005 A MUCH MORE EFFECTIVE STATUTE. IN THE HEARINGS ON THIS LEGISLATION, WE TESTIFIED THAT THE EXISTING MAIL RETURN ORDERS WERE NOT AN ADEQUATE SANCTION TO PROTECT THE PUBLIC FROM MAIL ORDER MISREPRESENTATION SCHEMES. THE ORDERS OPERATED ONLY AGAINST THE PARTICULAR NAME AND ADDRESS USED IN THE ADVERTISING WE CHALLENGED IN OUR CASE. OFTEN, AS SOON AS OUR CASE WAS FILED, THE PROMOTER WOULD ESTABLISH A NEW

NAME AND ADDRESS AND CONTINUE TO OPERATE THE SCHEME IN CIRCUMVENTION OF THE ORDER.

DUE TO THE THREAT OF CIVIL PENALTIES UNDER 39 U.S.C. 3012, WE SEE VERY FEW INSTANCES OF FLAGRANT CIRCUMVENTION OF OUR CEASE AND DESIST ORDERS. I SHOULD, HOWEVER, NOTE THAT WE HAVE NOT MADE AS MUCH USE OF THE CIVIL PENALTY STATUTE AS WE HAD EXPECTED FOR A REASON OTHER THAN LACK OF CLEAR CASES OF VIOLATIONS.

WHEN THE 1983 AMENDMENTS ORIGINALLY WERE PROPOSED, THEY INCLUDED AUTHORITY TO ISSUE CIVIL INVESTIGATIVE DEMANDS FOR DOCUMENTS RELEVANT TO A SECTION 3005 INVESTIGATION. THIS AUTHORITY WAS NOT ENACTED AND, AS YOU KNOW, THERE IS NO SUBPOENA OR OTHER PRE-COMPLAINT DISCOVERY AUTHORITY UNDER THIS STATUTE. WE HAVE HAD SEVERAL CASES WHERE OUR INSPECTORS HAD REASONABLE SUSPICIONS THAT A PROMOTION WAS, IN FACT, BEING OPERATED OR CONTROLLED BY PERSONS AGAINST WHOM CEASE AND DESIST ORDERS HAD BEEN ISSUED. HOWEVER, LACKING CIVIL INVESTIGATIVE DEMAND AUTHORITY, WE WERE UNABLE TO ACQUIRE SUFFICIENT EVIDENCE TO BRING A CASE.

THERE ALSO HAVE BEEN SEVERAL CASES WHERE WE HAD CLEAR EVIDENCE THAT A PARTICULAR INDIVIDUAL HAD VIOLATED A CEASE AND DESIST ORDER BUT, LACKING CIVIL INVESTIGATIVE DEMAND AUTHORITY, WE WERE UNABLE TO DETERMINE WHETHER HE HAD SUFFICIENT ASSETS TO WARRANT THE INVESTMENT OF INSPECTOR AND ATTORNEY TIME NECESSARY TO INITIATE AND LITIGATE A SECTION 3012 CASE. WE SUCCEEDED IN

OBTAINING A JUDGEMENT IN A CASE WE INITIATED IN THE SOUTHERN DISTRICT OF CALIFORNIA, IN 1986, BUT HAVE NOT BEEN ABLE TO LOCATE ASSETS AGAINST WHICH THE JUDGEMENT COULD BE EXECUTED. EXPERIENCES LIKE THIS MAKE THE CIVIL PENALTY STATUTE MUCH LESS EFFECTIVE THAN YOU INTENDED.

IN THE HEARINGS WHICH LED TO THE 1983 LEGISLATION, WE ALSO REPORTED THAT FALSE REPRESENTATION PROCEEDINGS OFTEN WERE DELAYED- WITH CONSEQUENT INCREASE IN CONSUMER LOSSES- BECAUSE OUR INSPECTORS NEEDED EVIDENTIARY SAMPLES OF THE PRODUCTS BEING ADVERTISED AND HAD TO ORDER THEM BY MAIL. EXPERIENCED PROMOTERS COULD DELAY OUR PROCEEDINGS SIMPLY BY FAILING TO FILL ORDERS UNTIL AFTER THEY BELIEVED THEIR ADVERTISING HAS RUN ITS COURSE. YOU RESPONDED BY AMENDING THE STATUTE TO ALLOW US TO MAKE IN-PERSON DEMANDS FOR SAMPLES OF THE PRODUCTS. THIS AUTHORITY HAS BEEN USED WITHOUT PROBLEM IN HUNDREDS OF INSTANCES AND HAS RESULTED IN THE MORE PROMPT INITIATION OF OUR CASES.

LET ME TURN TO A REVIEW OF SOME OF THE TYPES OF DECEPTIVE MAILING PRACTICES WE ARE CURRENTLY INVESTIGATING.

OF OUR RECENT MAIL FRAUD CASES, PERHAPS THE MOST SIGNIFICANT, INVOLVED INSIDER TRADING SCHEMES. AS A RESULT OF A JOINT INVESTIGATION WHICH WE CONDUCTED WITH THE SECURITIES AND EXCHANGE COMMISSION, IVAN F. BOESKY PLED GUILTY TO ONE FELONY COUNT, AND AGREED TO PAY $50 MILLION IN FINES AND $50 MILLION IN

RESTITUTION, AS A RESULT OF ILLEGAL ACTIVITIES IN THE TRADING OF SECURITIES BASED UPON INSIDER INFORMATION. AS A RESULT OF INFORMATION DEVELOPED IN THIS INVESTIGATION AND ASSISTANCE PROVIDED BY MR. BOESKY, OVER 60 INDIVIDUALS HAVE BEEN ARRESTED AND CHARGED IN CONNECTION WITH VARIOUS INSIDER TRADING SCHEMES.

THE MEDIA ACCORDED SIMILAR PROMINENCE TO THE MULTI-AGENCY INVESTIGATION, IN WHICH WE PARTICIPATED, INVOLVING JIM BAKKER AND THE PTL MINISTRY. BAAKER WAS INDICTED FOR ALLEGED CONSPIRACY TO SELL LIFETIME PARTNERSHIPS THAT PROMISED YEARLY VACATIONS AT PTL'S HERITAGE VILLAGE AND THEN DIVERTING THE FUNDS TO HIS OWN USE. TRIAL HAS NOT BEEN HELD ON THESE CHARGES.

WE CONTINUE TO RECEIVE COMPLAINTS FROM THE PUBLIC INVOLVING SOLICITATIONS FOR FUNDS BY ORGANIZATIONS WHICH APPEAR TO BE GOVERNMENT AGENCIES OR TO BE AFFILIATED WITH THE GOVERNMENT. FOR SEVERAL YEARS, WE HAVE RECEIVED COMPLAINTS REGARDING SO-CALLED "LOOK-ALIKE ENVELOPES" WHERE THE MAILING ENVELOPE IS DESIGNED TO RESEMBLE OFFICIAL GOVERNMENT CORRESPONDENCE. MANY RECIPIENTS - PARTICULARLY THE ELDERLY- ASSUME THAT THESE MAILINGS ARE OFFICIAL. AN OFTEN- RELATED PRACTICE INVOLVES SOLICITATIONS TO SELL SERVICES THAT CAN BE OBTAINED FROM THE GOVERNMENT FREE OF CHARGE. SOLICITATIONS FOR FEES TO OBTAIN SOCIAL SECURITY CARDS OR SOCIAL SECURITY EARNINGS RECORDS ARE FAMILIAR EXAMPLES OF THIS PRACTICE.

WE HAVE TAKEN ACTION UNDER THE FALSE REPRESENTATIONS STATUTE AGAINST SEVERAL OF THESE SOLICITATIONS, BUT WE HAVE RECEIVED COMPLAINTS REGARDING MANY OTHERS AGAINST WHICH WE COULD NOT ACT. UNDER OUR CASE LAW, THE QUESTION OF WHETHER AN ADVERTISEMENT MISREPRESENTS A MATERIAL FACT AND, THEREFORE, VIOLATES THE STATUTE IS RESOLVED BY REVIEWING THE ENTIRE SOLICITATION FROM THE VIEWPOINT OF AN ORDINARY PERSON. THE ENVELOPE MAY GIVE THE APPEARANCE OF COMING FROM THE GOVERNMENT BUT, WHEN THE ENCLOSED SOLICITATION IS READ, IF IT IS REASONABLY CLEAR THAT THE SOLICITATION IS FROM A PRIVATE ADVERTISER, THE DECEPTIVE POTENTIAL OF THE LOOK-ALIKE ENVELOPE MAY HAVE BEEN NEUTRALIZED. DUE, I BELIEVE, TO THE PUBLICITY WHICH WAS GENERATED BY SEVERAL CONGRESSIONAL HEARINGS ON THIS PROBLEM, WE ARE SEEING FEWER COMPLAINTS REGARDING THESE PRACTICES. BUT, IN MY EXPERIENCE, ANY DECEPTIVE MAIL ORDER DEVICE THAT ONCE WORKED WILL RETURN AT A LATER DATE. AND, CHANGES IN THE LAW WHICH S. 273 WOULD ACCOMPLISH CERTAINLY WOULD DISCOURAGE THESE SCHEMES AND ALLOW US TO TAKE MORE EFFECTIVE ACTION THAN CAN BE TAKEN AT PRESENT.

I WOULD LIKE TO COMMEND SENATOR HEINZ FOR GOING BEYOND THE NARROW SCOPE OF SOME PROPOSED LEGISLATION WHICH WOULD HAVE BEEN LIMITED TO LOOK-A-LIKE PROMOTIONS THAT MIMIC SOCIAL SECURITY OR HEALTH AND HUMAN SERVICES MAILINGS. S. 273 WOULD APPLY TO PROMOTERS WHO TRY TO PALM THEMSELVES OFF AS ANY GOVERNMENT AGENCY. TO SEEK TO AVOID PUBLIC CONFUSION WITH RESPECT TO MAILINGS RESEMBLING SOME BUT NOT ALL GOVERNMENT AGENCIES WOULD BE SHORTSIGHTED. WHILE

SOCIAL SECURITY MAILINGS HAVE BEEN PROMINENT IN RECENT YEARS, THERE ARE OTHERS. WE REPEATEDLY INVESTIGATE ADVERTISEMENTS FOR NUMISMATIC ARTICLES THAT GIVE THE FALSE APPEARANCE THAT THE PROMOTER IS, OR IS AFFILIATED WITH, THE U.S. MINT AND, IN SOME INSTANCES, ALL THAT IS OFFERED IS A MEDALLION OF LITTLE VALUE; OR ADVERTISING THAT APPEARS TO COME FROM A GOVERNMENT AGENCY AND TO OFFER GOVERNMENT SURPLUS PROPERTY AT SOME BARGAIN PRICE; AND, WE INVESTIGATE SCHEMES WHICH APPEAR TO COME FROM THE DEPARTMENT OF INTERIOR AND TO OFFER SOME INSIDE TRACK TO OBTAINING MINING RIGHTS IN PUBLIC LANDS. S. 273 WOULD PERMIT A MUCH MORE EFFECTIVE RESPONSE TO ALL OF THESE SCHEMES.

AT THE END OF FISCAL YEAR 1988, WE HAD IN PROGRESS 67 INVESTIGATIONS INVOLVING POSSIBLY FALSE OR FRAUDULENT CHARITABLE SOLICITATIONS. RECENTLY, WE INITIATED CIVIL PROCEEDINGS AGAINST PACIFIC WEST CANCER FUND, ROBERT R. STONE, AND THE WATSON AND HUGHEY COMPANY. THE CURRENT PROCEEDINGS CONCERN A SOLICITATION USED BY PACIFIC WEST THAT CAN BE CONSTRUED TO BE NOTIFICATION FROM AN ATTORNEY, ROBERT R. STONE, THAT THE RECIPIENT HAS WON A SUBSTANTIAL CASH PRIZE. IN FACT THE "PRIZE" MOST RECIPIENTS RECEIVE IS A CHECK FOR APPROXIMATELY TEN CENTS. OUR ACTION AGAINST THIS ORGANIZATION FOCUSES ON ALLEGED MISREPRESENTATIONS CONCERNING THE SIZE AND AWARDING OF THE PRIZE, ALLOCATION OF THE FUNDS RAISED, AND OPERATION OF AN ILLEGAL LOTTERY.

IN THE PACIFIC WEST PROCEEDINGS WE OBTAINED A TEMPORARY RESTRAINING ORDER AGAINST THE DELIVERY OF MAIL IN RESPONSE TO THE ATTORNEY NOTIFICATION TYPE SOLICITATION THAT WAS BEING DELIVERED IN TOPEKA, KANSAS. I WOULD LIKE TO EMPHASIZE THAT THE COURT DID NOT DETERMINE THAT ANY OF THE DEFENDANTS HAVE VIOLATED THE LAW. IT MERELY DETERMINED THAT THERE IS PROBABLE CAUSE TO BELIEVE THAT THE CIVIL MISREPRESENTATION STATUTE HAS BEEN VIOLATED.

WE ARE ENGAGED IN SETTLEMENT DISCUSSIONS WITH ATTORNEYS FOR PACIFIC WEST, WATSON & HUGHEY, AND ROBERT STONE, AND THEY HAVE AGREED TO AN EXTENSION OF THE RESTRAINING ORDER PENDING THOSE DISCUSSIONS. THE DISCUSSIONS EMBRACE SIMILAR SOLICITATIONS ON BEHALF OF THREE OTHER "CHARITABLE" ORGANIZATIONS HAVING FUND RAISING AGREEMENTS WITH WATSON & HUGHEY.

THE INVESTIGATION OF POSSIBLY FALSE OR FRAUDULENT APPEALS FOR FUNDS BY OSTENSIBLY NONPROFIT ORGANIZATIONS IS ONE OF THE MOST DIFFICULT CHALLENGES OUR INSPECTORS ENCOUNTER. WHETHER AN ORGANIZATION IS USING CONTRIBUTED FUNDS FOR THE PURPOSES DESCRIBED IN ITS SOLICITATIONS USUALLY CAN BE DETERMINED ONLY BY EXAMINATION OF THE ORGANIZATION'S FINANCIAL BOOKS AND RECORDS. OUR ABILITY TO ACQUIRE ACCESS TO THIS TYPE OF INFORMATION IS VERY LIMITED.

WE HAVE NO AUTHORITY UNDER THE FALSE REPRESENTATIONS STATUTE TO DEMAND ACCESS TO SUCH RECORDS PRIOR TO INITIATING PROCEEDINGS.

AND, BECAUSE OUR ADMINISTRATIVE LAW JUDGES LACK CONTEMPT POWERS, THEY HAVE LIMITED ABILITY TO COMPEL ACCESS TO SUCH MATERIALS.

IT IS AT THE BEGINNING OF A FUND RAISING CAMPAIGN, WHEN INITIAL COMPLAINTS FROM THE PUBLIC SUGGEST THAT FURTHER INQUIRY IS WARRANTED, THAT ABILITY TO EXAMINE THE ORGANIZATION'S USE OF FUNDS IS MOST DESIRABLE. THE LONGER LEGAL ACTION IS DEFERRED, THE GREATER THE PUBLIC'S LOSS.

MOREOVER, WE CANNOT INITIATE PROCEEDINGS BASED UPON HUNCHES OR MERE SUSPICION IN THE HOPE THAT DURING THE PROCEEDINGS WE WILL DEVELOP SOME EVIDENCE. THE POSTAL SERVICE, LIKE OTHER FEDERAL AGENCIES, IS SUBJECT TO THE EQUAL ACCESS TO JUSTICE ACT (5 U.S.C. 504; 29 U.S.C. 2412) WHICH ALLOWS THE PUBLIC TO RECOVER FROM THE UNITED STATES, ATTORNEYS FEES AND OTHER EXPENSES INCURRED IN DEFENSE OF AN ACTION INITIATED BY AN AGENCY WITHOUT SUBSTANTIAL JUSTIFICATION.

LACKING INVESTIGATIVE AUTHORITY TO OBTAIN NECESSARY INFORMATION PRIOR TO FILING OF AN ACTION USUALLY MEANS THAT WE ARE UNABLE TO USE THE CIVIL FALSE REPRESENTATIONS STATUTE IN CASES WHERE THE USE OF CONTRIBUTIONS IS IN QUESTION. THIS LACK OF INVESTIGATIVE AUTHORITY IS FRUSTRATING AND SOMETIMES EMBARRASSING. LAST YEAR, FOR EXAMPLE, WE OBTAINED INFORMATION FROM SENATOR SASSER'S STAFF WHICH RAISED QUESTIONS ABOUT THE LEGITIMACY OF SEVERAL ORGANIZATIONS WHICH SOUGHT CONTRIBUTIONS TO FUND EFFORTS TO

RECOVER PRISONERS OF THE VIETNAM WAR AND THE REMAINS OF AMERICAN SERVICEMEN MISSING IN ACTION. WITHOUT AN ABILITY TO DETERMINE HOW THESE ORGANIZATIONS WERE USING THE FUNDS THEY RECEIVED, WE WERE NOT ABLE TO DETERMINE WHETHER THE MAIL FRAUD OR MISREPRESENTATIONS STATUTES WERE BEING VIOLATED.

WE HAVE SOMEWHAT BETTER ABILITY TO ACQUIRE FINANCIAL RECORDS UNDER THE CRIMINAL MAIL FRAUD STATUTE. WHERE WE HAVE SUFFICIENT EVIDENCE TO CONVINCE THE DEPARTMENT OF JUSTICE AND, IN TURN, A FEDERAL GRAND JURY, THAT PROBABLE CAUSE EXISTS TO BELIEVE THAT A CHARITY IS NOT USING THE CONTRIBUTIONS IT SOLICITS FOR THE PURPOSES DECLARED IN THE SOLICITATION, WE CAN, DEPENDING UPON THE CURRENT PRIORITIES OF THE U. S. ATTORNEY'S OFFICE, OBTAIN SUBPOENAS TO OBTAIN THE NECESSARY RECORDS. BUT, OBTAINING SUFFICIENT PROBABLE CAUSE IS MORE DIFFICULT IN THESE TYPES OF CASES THAN ANY OTHER OF WHICH I KNOW.

IN THE TYPICAL MAIL FRAUD CASE, THE VICTIMS KNOW THEY ARE VICTIMS. BECAUSE THEY FAILED TO RECEIVE FROM THE DEFENDANT SOMETHING THEY WERE SUPPOSED TO RECEIVE, THEY KNOW THEY HAVE BEEN CHEATED AND BRING THE FACTS TO OUR ATTENTION. CONTRIBUTORS TO ALLEGED CHARITIES, ON THE OTHER HAND, GENERALLY HAVE NO PERSONAL EXPERIENCE UPON WHICH TO BASE A CONCLUSION THAT THE CHARITY HAS CHEATED THEM.

AND, IT SHOULD BE RECOGNIZED, THE OPERATORS OF DECEPTIVE FUNDRAISING CAMPAIGNS ALSO VICTIMIZE THE TAXPAYERS WHO FINANCE THE REDUCED POSTAGE RATES FOR THESE SCAMS. INDEED, THE EXTREMELY BROAD TERMS OF THE STATUTE WHICH ESTABLISHED THE PREFERRED POSTAGE RATES IN THE EARLY 1950'S MAKE THE NONPROFIT MAILING PRIVILEGE INTO THE POSTAL EQUIVALENT OF A "FREE LUNCH". AS A PARTIAL REMEDY TO THIS PROBLEM, WE SUGGEST THAT YOU CONSIDER AN AMENDMENT OF CURRENT 39 U.S.C. 3626 WHICH WOULD SIMPLIFY THE ADMINISTRATION OF THE NONPROFIT MAILING PRIVILEGE BY RESTRICTING ELIGIBILITY TO THOSE ORGANIZATIONS WHICH ARE AUTHORIZED TO RECEIVE TAX-DEDUCTIBLE CONTRIBUTIONS UNDER THE TAX CODE.

DECEPTIVE SWEEPSTAKES ALSO ARE BEING USED TO MARKET PRODUCTS. WE HAVE BROUGHT SEVERAL CIVIL CASES AGAINST PROMOTERS OF CHEAP MERCHANDISE WHO USE "PRIZE AWARD NOTICES" TO "HOOK" PROSPECTIVE CUSTOMERS. THE "PRIZE" THEY HAVE "WON" IS THE MERCHANT'S JUNK PRODUCT. TO RECEIVE THIS "PRIZE" THEY MUST REMIT "SHIPPING AND HANDLING CHARGES" THAT EXCEED THE FAIR MARKET VALUE OF THE PRODUCT.

I WOULD LIKE TO RETURN TO THE CRIMINAL MAIL FRAUD STATUTE FOR A FEW MOMENTS IN ORDER TO ADVISE YOU OF OUR INTEREST IN HAVING THAT STATUTE EXPANDED TO INCLUDE AUTHORITY TO SEIZE AND FORFEIT THE PROFITS AND PROCEEDS OF MAIL FRAUD VIOLATIONS.

THROUGHOUT MY CAREER, I HAVE SEEN SCHEME AFTER SCHEME DESIGNED TO CHEAT THE PUBLIC OUT OF THEIR FUNDS AND HAVE EXPERIENCED A MIXED FEELING OF SATISFACTION AND DISAPPOINTMENT UPON SEEING A CON ARTIST CONVICTED AND SENTENCED. SO OFTEN HE RETAINS THE MONIES HE HAS STOLEN OR THE PROPERTY INTO WHICH IT HAS BEEN CONVERTED. IN RECENT YEARS THE CONGRESS, RECOGNIZING THIS DEFICIENCY IN RESPECT TO THE ENFORCEMENT OF A NUMBER OF FEDERAL CRIMINAL STATUTES, HAS AUTHORIZED THE SEIZURE AND FORFEITURE OF PROFITS AND PROCEEDS OF THE OFFENSES. WHERE PROPERTY OF THE DEFENDANT IS SUBJECT TO FORFEITURE BY LAW, A RESTRAINING ORDER CAN BE OBTAINED FROM THE COURTS EARLY IN THE COURSE OF THE INVESTIGATION OR TRIAL TO PREVENT ITS DISSIPATION AND PRESERVE IT FOR FORFEITURE TO THE UNITED STATES AND POSSIBLE RESTITUTION TO VICTIMS.

AS PART OF THE COMPREHENSIVE CRIME CONTROL ACT OF 1984, P.L.98-473, THE CONGRESS AUTHORIZED THE COURTS TO ORDER, AS PART OF A SENTENCE UPON CONVICTION OF AN OFFENSE INVOLVING FRAUD OR OTHER INTENTIONALLY DECEPTIVE PRACTICES, THAT THE DEFENDANT NOTIFY HIS VICTIMS OF HIS CONVICTION IN ORDER THAT THEY MAY PURSUE ANY APPROPRIATE CIVIL REMEDIES. THE COURTS ALSO MAY ORDER THE DEFENDANT TO PAY RESTITUTION TO HIS VICTIMS.

FORFEITURE AUTHORITY UNDER THE MAIL FRAUD STATUTE WOULD PROVIDE A USEFUL SUPPLEMENT. IT WOULD ALLOW THE GOVERNMENT TO SEIZE, OR RESTRAIN THE DEFENDANT FROM DISPOSING OF, PROFITS AND PROCEEDS OF

MAIL FRAUD OFFENSES EARLY IN THE COURSE OF THE PROCEEDINGS, THEREBY PRESERVING SUCH PROPERTY FOR RESTITUTION TO VICTIMS.

I WOULD LIKE BRIEFLY TO SUMMARIZE A FEW RECENT MAIL FRAUD CASES THAT ILLUSTRATE THE DESIRABILITY OF FORFEITURE AUTHORITY.

OPERATING A MODERN VARIATION OF THE CLASSIC "PONZI" SCHEME -WHERE INCOME FROM NEW VICTIMS IS USED TO PAY, FOR A WHILE, ALLEGED "PROFITS" ON INVESTMENTS OF EARLIER VICTIMS- NADINE GAN WAS SENTENCED TO 9 YEARS IN PRISON AFTER PLEADING GUILTY TO A VARIETY OF FRAUD AND SECURITIES CHARGES. MRS. GAN OPERATED TWO INVESTMENT CLUBS AND PROMISED RETURNS OF 50% TO 80% TO ELDERLY INVESTORS WHO OFTEN ENTRUSTED THEIR LIFE'S SAVINGS TO HER. AN ESTIMATED 700 VICTIMS LOST BETWEEN $2.5 AND $3.5 MILLION. PROFITS FROM THE SCHEME WENT, IN PART, TO TWO HOMES SHE PURCHASED FOR HER USE AS WELL AS JEWELRY. THE NEED FOR FORFEITURE AUTHORITY WAS RATHER BLATANTLY STATED IN THIS CASE. MRS. GAN COULD HAVE HAD HER SENTENCE REDUCED BY MAKING GOOD SOME OF THE LOSSES OF HER VICTIMS. WHEN ASKED BY A REPORTER WHY SHE DID NOT DO SO, HER ANSWER WAS: "I'LL SERVE MY SENTENCE AND GET OUT...WHEN I GET OUT WHY SHOULD I PAY IF I'VE BEEN PENALIZED?"

ANOTHER EXAMPLE: ON OCTOBER 26, 1988, STEPHEN S. WANG, JR. WAS SENTENCED TO A PRISON TERM OF THREE YEARS FOR HIS PARTICIPATION IN A SCHEME TO SELL INSIDER INFORMATION CONCERNING CLIENTS OF AN INVESTMENT FIRM BY WHICH HE WAS EMPLOYED AS AN ANALYST. GROSS

PROFITS OF THE SCHEME EXCEEDED $15 MILLION. FORFEITURE AUTHORITY WOULD HAVE PERMITTED THE GOVERNMENT TO PROCEED AGAINST THESE ILLEGALLY OBTAINED PROFITS AND PROCEEDS.

ON DECEMBER 2, 1987, THE FORMER PRESIDENT OF TELECOM MANAGEMENT INTERNATIONAL, INC., PLED GUILTY TO AN INDICTMENT FOR MAIL AND SECURITIES FRAUD. HE SOLD SECURITIES IN LIMITED PARTNERSHIPS, OSTENSIBLY FORMED TO PROVIDE DISCOUNT LONG DISTANCE TELEPHONE SERVICE, TO CUSTOMERS IN SEVERAL MIDWESTERN STATES. THE LIMITED PARTNERSHIP INTERESTS WERE SOLD TO AN ESTIMATED 800 INVESTORS AT $7,000 AND $8,000 PER UNIT, RAISING APPROXIMATELY $7 MILLION. THE VIOLATOR PLED GUILTY AND WAS SENTENCED TO FIVE YEARS PROBATION, PAYMENT OF RESTITUTION IN THE AMOUNT OF $859,616 AND 2,000 HOURS OF COMMUNITY SERVICE. FORFEITURE AUTHORITY WOULD, PERHAPS, HAVE PERMITTED RECOVERY OF A GREATER SHARE OF THE PROFITS AND PROCEEDS OF THIS OFFENSE.

SUCH LEGISLATION WOULD ALSO TEND TO DISCOURAGE VIOLATION OF THE MAIL FRAUD STATUTE. PROFIT MOTIVATES AND SUSTAINS WHITE COLLAR CRIMINAL ACTIVITY. TO THE EXTENT POTENTIAL VIOLATORS BELIEVE THAT EVEN IF THEY ARE CONVICTED THEY WILL BE ABLE TO RETAIN THE PROFITS OF THEIR CRIME, THE RISK BECOMES MORE ATTRACTIVE.

TO DEPART FROM THE SUBJECT OF FRAUD, I WOULD LIKE TO BRIEF YOU ON OUR RECENT EFFORTS TO COMBAT OBSCENE AND UNWANTED SEXUALLY-ORIENTED MAILINGS.

WE ARE RESPONSIBLE FOR INVESTIGATING VIOLATIONS OF THE POSTAL OBSCENITY STATUTE (18 U.S.C. 1461); STATUTES PROHIBITING USE OF THE MAILS TO DISTRIBUTE CHILD PORNOGRAPHY (18 U.S.C. 2252 et seq.); AND, STATUTES PROHIBITING THE MAILING OF SEXUALLY-ORIENTED MATTER TO ADDRESSEES WHO HAVE STATED A PREFERENCE NOT TO RECEIVE SUCH MAILINGS(39 U.S.C. 3008,3010; 18 U.S.C. 1735). I WOULD LIKE TO SUMMARIZE THESE LAWS AND DESCRIBE OUR RECENT EFFORTS TO ENFORCE THEM.

SECTION 1461 OF TITLE 18 DECLARES IT A CRIME TO USE THE MAILS TO DISTRIBUTE "OBSCENE" MATTER. CONTRARY TO THE SENSITIVITIES OF MANY PEOPLE, MUCH OF THE SEXUALLY-ORIENTED MATTER THEY RECEIVE BY MAIL LEGALLY IS NOT "OBSCENE". UNDER THE SUPREME COURT'S DECISION IN HAMLING V. U.S., 418 U.S. 87 (1974), WHICH APPLIED ITS EARLIER DECISION IN MILLER V. CALIFORNIA, 413 U.S. 15 (1973), TO THE POSTAL OBSCENITY STATUTE, MATTER IS "OBSCENE" ONLY IF IT SATISFIES A THREE PART TEST: FIRST, IT MUST CONSIST OF "HARD CORE" MATERIAL WHICH INCLUDES PATENTLY OFFENSIVE REPRESENTATIONS OR DESCRIPTIONS OF ULTIMATE SEXUAL ACTS, NORMAL OR PERVERTED, ACTUAL OR SIMULATED, OR OF MASTURBATION, EXCRETORY FUNCTIONS, AND LEWD EXHIBITION OF THE GENITALS; SECOND, SUCH MATTER, TAKEN AS A WHOLE, MUST BE FOUND TO BE OF A NATURE WHICH THE AVERAGE PERSON, APPLYING CONTEMPORARY COMMUNITY STANDARDS, WOULD FIND APPEALING TO A PRURIENT INTEREST IN SEX; AND THIRD, THE MATTER, TAKEN AS A

WHOLE MUST LACK SERIOUS LITERARY, ARTISTIC, POLITICAL, OR SCIENTIFIC VALUE.

NOTWITHSTANDING THE DIFFICULT EVIDENTIARY BURDENS POSED BY THE MILLER DECISION, DURING FISCAL YEAR 1988, POSTAL INSPECTORS CONDUCTED INVESTIGATIONS WHICH LED TO 55 ARRESTS. FOR MORE THAN A YEAR, WE CONDUCTED A NATIONWIDE INVESTIGATION ("PROJECT POSTPORN") OF POSSIBLE ILLEGAL ACTIVITIES OF MAJOR DOMESTIC, MAIL ORDER DEALERS IN MATTER WHICH MAY BE OBSCENE. IN LATE 1987 WE EXECUTED SEARCH WARRANTS AGAINST 11 MAIL ORDER COMPANIES. THE SEARCHES IDENTIFIED AN ADDITIONAL 10 ASSOCIATED COMPANIES. TO DATE 8 OF THE ORIGINAL 11 COMPANIES HAVE BEEN INDICTED AND OTHERS ARE PENDING JUDICIAL ACTION. MORE IMPORTANTLY, THIS INVESTIGATION HAD AN IMMEDIATE, POSITIVE EFFECT UPON THE PUBLIC. IMMEDIATELY AFTER THE INDICTMENTS WERE ANNOUNCED, OUR REGIONAL OFFICES NOTED A SHARP DROP IN THE NUMBER OF REQUESTS FOR PROHIBITORY ORDERS. SINCE THE INDICTMENTS, THE NUMBER OF REQUESTS HAVE DROPPED BY 50%. I WOULD LIKE TO QUOTE FROM A REPORT RECEIVED FROM ONE OF OUR REGIONAL OFFICES:

> AT MIDYEAR, WE WERE BEING INUNDATED WITH SOA [I.E. SEXUALLY-ORIENTED ADVERTISEMENT] COMPLAINTS, WHICH AT THAT TIME NUMBERED IN THE THOUSANDS AND COMPRISED APPROXIMATELY 35 PERCENT OF ALL COMPLAINTS RECEIVED. OUR CONGRESSIONAL COMPLAINTS WERE OVER 200 AT MID-YEAR (AND NEARLY 500 IN FY87). OUR SOA COMPLAINTS,

INCLUDING CONGRESSIONAL, FOR THE LAST TWO MONTHS ARE NEGLIGIBLE.

INVESTIGATIONS OF MAILINGS OF CHILD PORNOGRAPHY IN VIOLATION OF 18 U.S.C. 2252 HAVE BEEN ONE OF OUR HIGHEST INVESTIGATIVE PRIORITIES FOR SEVERAL YEARS. POSTAL INSPECTORS MADE 314 ARRESTS IN FY 1988 AND OVER 1059 ARRESTS SINCE THE PASSAGE OF THE STATUTE IN 1984 THROUGH 1988. IN 1987 WE COMPLETED A MAJOR UNDERCOVER OPERATION DUBBED "PROJECT LOOKING GLASS". AS PART OF THIS INVESTIGATION WE CONDUCTED 198 COURT ORDERED SEARCHES WHICH LED TO 167 PROSECUTIVE ACTIONS, INCLUDING 78 CONVICTIONS. IN 35 OF THE SEARCHES, WE DISCOVERED EVIDENCE OF SEXUAL ABUSE OF CHILDREN WHICH WE BROUGHT TO THE ATTENTION OF THE APPROPRIATE PROSECUTORS.

THE PANDERING ADVERTISEMENTS STATUTE (39 U.S.C. 3008) AND THE SEXUALLY ORIENTED ADVERTISEMENTS STATUTE (39 U.S.C. 3010) ALLOW POSTAL CUSTOMERS TO LIMIT THEIR RECEIPT OF UNWANTED SEXUAL MATERIALS. EACH STATUTE ALLOWS THE CUSTOMER TO ADVISE THE POSTAL SERVICE THAT HE OR SHE DOES NOT WANT TO RECEIVE CERTAIN MAILINGS AND THE POSTAL SERVICE RELAYS THIS WISH TO THE AFFECTED MAILERS.

THE PANDERING ADVERTISEMENTS STATUTE - SECTION 3008 - ALLOWS POSTAL CUSTOMERS TO OBTAIN AN ORDER FROM THE POSTAL SERVICE DIRECTING A SPECIFIC MAILER TO SEND NO ADDITIONAL MAIL TO THE CUSTOMER AND ANY MINOR CHILDREN RESIDING AT THE ADDRESS. THE ADDRESSEE MAY OBTAIN A PROHIBITORY ORDER UPON HIS DETERMINATION

THAT MATTER OFFERED FOR SALE IN AN ADVERTISEMENT SENT TO HIM BY MAIL IS EROTICALLY AROUSING OR SEXUALLY PROVOCATIVE, AND HIS DETERMINATION IS FINAL. THE POSTAL SERVICE HAS NO AUTHORITY TO QUESTION HIS JUDGMENT. OUR SOLE RESPONSIBILITY IS TO DETERMINE WHETHER THE MAILER AGAINST WHOM THE ORDER IS SOUGHT MAILED TO THE ADDRESSEE AN ADVERTISEMENT OFFERING MATTER FOR SALE. THIS PROCEDURE HAS RESULTED IN THE ISSUANCE OF PROHIBITORY ORDERS AGAINST MAILERS OF ADVERTISING FOR MATTER THAT WOULD NOT GENERALLY BE REGARDED AS SEXUALLY- ORIENTED. BUT, BY PLACING SOLE DISCRETION IN THE ADDRESSEE, RATHER THAN THE GOVERNMENT, THE STATUTE AVOIDS THE PROBLEM THAT LED TO THE INVALIDATION OF TWO FORMER POSTAL STATUTES DESIGNED TO PREVENT THE SALE OF OBSCENE MATTER BY MAIL. IN BLOUNT V. RIZZI, 400 U.S. 410 (1971), THE SUPREME COURT HELD INVALID 39 U.S.C 3006,3007 BECAUSE THE STATUTES PURPORTED TO GIVE THE POSTAL SERVICE AUTHORITY TO DETERMINE WHETHER PARTICULAR MATTER WAS OBSCENE.

IN MY OPINION, SECTION 3008 HAS WORKED WELL WITHIN ITS LIMITATIONS. THE COURTS HAVE BEEN FAVORABLY DISPOSED TOWARD THE STATUTE AND WE HAVE RECEIVED EXCELLENT COOPERATION FROM THE UNITED STATES ATTORNEYS IN OBTAINING COURT INJUNCTIONS AGAINST VIOLATORS OF THE ORDERS. THE STATUTE DOES NOT, OF COURSE, RESOLVE ALL PUBLIC FRUSTRATION OVER RECEIPT OF UNWANTED SEXUAL MAILINGS. FIRST OF ALL, AN INITIAL MAILING - PERHAPS OF OFFENSIVE MATTER - MUST BE RECEIVED BEFORE AN ORDER CAN BE OBTAINED. AND ONCE THE ORDER IS ISSUED, IT REMAINS POSSIBLE -

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EVEN THOUGH UNLAWFUL- TO MAKE A VIOLATIVE MAILING. WHERE A VIOLATIVE MAILING OCCURS, THE ONLY SANCTION AUTHORIZED IS A CIVIL INJUNCTION. UPON DISOBEDIENCE OF THE INJUNCTION, CONTEMPT PENALTIES CAN BE ASSESSED BY THE COURT. WHILE WE HAVE OFTEN RECEIVED HIGHLY FRUSTRATED REACTIONS FROM CUSTOMERS WHO OBTAINED AN ORDER AND THEN EXPERIENCED A VIOLATION, BY AND LARGE, PROHIBITORY ORDERS ARE HONORED BY THE MAILERS AGAINST WHOM THEY ARE ISSUED. PROBABLY MOST MAILERS SEE NO ECONOMIC RETURN IN MAILING THEIR ADVERTISING TO SOMEONE WHO HAS INDICATED A LACK OF DESIRE FOR THE PRODUCT.

THE SEXUALLY- ORIENTED ADVERTISEMENTS STATUTE - SECTION 3010 - ALLOWS POSTAL CUSTOMERS TO CAUSE THEIR NAMES - AND THE NAMES OF MINOR CHILDREN LIVING WITH THEM - TO BE INCLUDED ON A LIST OF PERSONS WHO DO NOT WANT TO RECEIVE SEXUALLY ORIENTED ADVERTISEMENTS IN THE MAIL. SUBSECTION (d) OF THE STATUTE DEFINES A "SEXUALLY ORIENTED ADVERTISEMENT" TO BE ANY ADVERTISEMENT THAT DEPICTS, IN ACTUAL OR SIMULATED FORM, OR EXPLICITLY DESCRIBES, IN A PREDOMINATELY SEXUAL CONTEXT, HUMAN GENITALIA, ANY ACT OF NATURAL OR UNNATURAL SEXUAL INTERCOURSE, ANY ACT OF SADISM OR MASOCHISM, OR ANY OTHER EROTIC SUBJECT DIRECTLY RELATED TO THE FOREGOING. EACH MONTH, THE POSTAL SERVICE UPDATES THE LIST TO INCLUDE NEW NAMES AND TO DELETE NAMES THAT HAVE BEEN ON THE LIST FOR MORE THAN FIVE YEARS. THE STATUTE PROHIBITS MAILINGS OF SEXUALLY ORIENTED ADVERTISEMENTS TO PERSONS WHOSE NAMES HAVE BEEN ON THE LIST FOR MORE THAN 30 DAYS AND ALLOWS (BUT DOES NOT

REQUIRE) MAILERS OF SEXUALLY ORIENTED ADVERTISEMENTS TO PURCHASE THE LIST. OUR REGULATIONS PROVIDE THAT ALL SUBSCRIBERS TO THE LIST SHALL EQUALLY SHARE THE POSTAL SERVICE'S COSTS IN COMPILING AND MAINTAINING THE LIST. AS OF FEBURARY 17, THERE WERE ONLY THREE SUBSCRIBERS TO THE LIST.

UNLIKE THE PROHIBITORY ORDER STATUTE, POSTAL CUSTOMERS MAY CAUSE THEIR NAMES TO BE LISTED WITHOUT HAVING FIRST RECEIVED AN OFFENSIVE ADVERTISEMENT AND THE PROHIBITION APPLIES ONLY TO SEXUALLY- ORIENTED ADVERTISEMENTS, RATHER THAN ALL FUTURE MAILINGS. MOREOVER, A PROHIBITORY ORDER IS DIRECTED AGAINST A SINGLE, SPECIFIC MAILER WHILE LISTING ON THE SECTION 3010 LIST APPLIES TO ALL MAILERS. THE STATUTE ALSO REQUIRES THAT MAILERS OF SEXUALLY- ORIENTED ADVERTISEMENTS PLACE ON THE MAILING ENVELOPE SUCH NOTICE AS THE POSTAL SERVICE MAY REQUIRE.

IN 1970, WHEN CONGRESS ENACTED SECTION 3010, IT ALSO ENACTED TWO COMPANION STATUTES: ONE PROVIDING FOR CIVIL ENFORCEMENT; AND THE OTHER PROVIDING CRIMINAL PENALTIES. SECTION 3011 OF TITLE 39 AUTHORIZED THE FEDERAL DISTRICT COURTS TO ISSUE CIVIL ORDERS (1) DIRECTING THE DEFENDANT TO REFRAIN FROM MAILING SEXUALLY-ORIENTED ADVERTISEMENTS TO THE COMPLAINING ADDRESSEE OR TO ANYONE ELSE; (2) DIRECTING POSTMASTERS TO REFUSE TO ACCEPT SEXUALLY-ORIENTED ADVERTISEMENTS OFFERED FOR MAILING FROM A DEFENDANT; OR (3) DIRECTING POSTMASTERS TO RETURN TO SENDERS MAIL ADDRESSED TO THE DEFENDANT. IN U.S. V. TREATMAN, 408 F.Supp. 944 (C.D. CAL.

1976), THE COURT FOUND ALL OF THE REMEDIES IN THE STATUTE UNCONSTITUTIONAL EXCEPT FOR INJUNCTIONS AGAINST FURTHER MAILINGS TO PERSONS WHOSE NAMES WERE ON THE SECTION 3010 LIST AND ORDERS TO POSTMASTERS TO REFUSE TO ACCEPT SEXUALLY- ORIENTED ADVERTISEMENTS ADDRESSED TO PERSONS WHOSE NAMES ARE ON THE LIST. THE SECOND STATUTE, 18 U.S.C. 1735, AUTHORIZES THE IMPOSITION OF CRIMINAL FINES AND IMPRISONMENT FOR VIOLATIONS OF SECTION 3010.

IN MY OPINION, SECTION 3010 HAS NOT BEEN A PARTICULARLY SUCCESSFUL STATUTE. MEMBERS OF THE PUBLIC OFTEN EXPRESS DISPLEASURE OVER THE FACT THAT AFTER THEY PUT THEIR NAMES ON THE LIST THEY CONTINUED TO RECEIVE SEXUALLY- ORIENTED ADVERTISING. IN MANY CASES THEY EXPECTED THE POSTAL SERVICE TO REFUSE TO DELIVER MAIL IN VIOLATION OF THE LIST - AN ACT WE HAVE NO AUTHORITY OR ABILITY TO PERFORM.

IN 1985 THE INSPECTION SERVICE CONDUCTED AN INTERNAL REVIEW OF THE POSTAL SERVICE'S HANDLING OF THE SECTION 3008 AND 3010 PROGRAMS. THE REVIEW EXAMINED WHETHER LOCAL POST OFFICES WERE PROPERLY HANDLING CUSTOMER COMPLAINTS; WHETHER THE COMPLAINTS WERE BEING HANDLED IN A TIMELY MANNER; WHETHER ACCURATE RECORDS WERE BEING MAINTAINED; AND, WHETHER OUR PROCEDURES WERE BEING FOLLOWED. THE REVIEW RESULTED IN FIVE RECOMMENDATIONS, ALL OF WHICH HAVE BEEN IMPLEMENTED: PROVIDE CUSTOMERS WITH INFORMATION ON THESE STATUTES; EDUCATE POSTAL EMPLOYEES SIMILARLY; IMPROVE THE COMPUTER PROGRAM USED IN COMPILING THE SECTION 3010 LIST TO

INCREASE ACCURACY AND DELETE DUPLICATE NAMES; AND IMPROVE OUR PROCEDURES FOR VERIFYING ALLEGED VIOLATIONS AND FOR PRESENTING THEM TO THE APPROPRIATE UNITED STATES ATTORNEY FOR PROSECUTION.

OUR EFFORTS TO INFORM THE PUBLIC OF THE AVAILABILITY OF SECTIONS 3008 AND 3010 INCLUDED THE PREPARATION AND NATIONWIDE DISTRIBUTION OF 610,300 KITS CONTAINING INFORMATION DESCRIBING THE STATUTES AND PROVIDING FORMS WHICH MAY BE USED TO TAKE ADVANTAGE OF THE REMEDIES THEY PROVIDE. IN ADDITION POSTERS DESCRIBING THE KIT WERE DISTRIBUTED FOR DISPLAY IN POSTAL LOBBIES.

PARTICULARLY SINCE THE TREATMAN DECISION, MANY UNITED STATES ATTORNEYS BELIEVE THAT THE REMAINING REMEDIES ARE INADEQUATE TO ENFORCE COMPLIANCE. LAST YEAR, FOLLOWING DISCUSSIONS WITH THE DEPARTMENT OF JUSTICE, I ISSUED INSTRUCTIONS TO POSTAL INSPECTORS TO INTENSIFY THEIR EFFORTS TO INVESTIGATE ALL VIOLATIONS OF SECTION 3010 INVOLVING 12 OR MORE COMPLAINTS AND TO PRESENT THE CASES FOR PROSECUTION. AS A RESULT, WE CURRENTLY HAVE 25 OPEN INVESTIGATIONS.

RECOGNIZING THE PROBLEMS WE HAVE WITH ENFORCEMENT OF THE EXISTING STATUTE, WE HAVE BEEN WORKING WITH THE DEPARTMENT OF JUSTICE ALONG TWO LINES: WE HAVE CONDUCTED, A NATIONWIDE INVESTIGATION OF MAIL ORDER SELLERS OF OBSCENE MATTER; AND WE HAVE CONSIDERED A NUMBER OF POTENTIAL LEGISLATIVE SOLUTIONS TO THE PROBLEM.

AT FIRST GLANCE, THE MOST ATTRACTIVE LEGISLATIVE RESOLUTION OF THE PROBLEM WOULD BE TO PROHIBIT THE MAILING OF SEXUALLY-ORIENTED ADVERTISING TO ANYONE WHO HAD NOT PREVIOUSLY REQUESTED IT. THIS APPROACH, REFLECTED IN LEGISLATIVE PROPOSALS INTRODUCED IN THE LAST CONGRESS, IS VERY LIKELY, IN THE OPINION OF POSTAL AND JUSTICE DEPARTMENT ATTORNEYS, TO BE HELD UNCONSTITUTIONAL. IN TREATMAN, THE COURT HELD THAT AN ADDRESSEE'S RIGHT TO RECEIVE MAIL COULD NOT CONSTITUTIONALLY BE CONDITIONED UPON HIS HAVING REQUESTED THE MATERIAL IN ADVANCE. 408 F.SUPP. 944, 954. MORE RECENTLY, THE SUPREME COURT DECLARED UNCONSTITUTIONAL A POSTAL STATUTE WHICH PROHIBITED THE MAILING OF UNSOLICITED ADVERTISING FOR CONTRACEPTIVES. BOLGER V. YOUNGS DRUG PRODUCTS CORP., 463 U.S. 60 (1983).

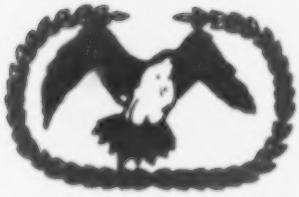
WE DO BELIEVE, HOWEVER, THAT ADDITIONAL LEGISLATION IS NEEDED BECAUSE THE STATUTE IS NOT BEING TAKEN SERIOUSLY BY MAILERS OF SEXUALLY- ORIENTED ADVERTISING. WE SUGGEST THAT A SIGNIFICANT INCREASE IN THE COST OF VIOLATING THE STATUTE MAY BE THE BEST SOLUTION. WE SUPPORTED LEGISLATION RECOMMENDED TO THE LAST CONGRESS BY THE DEPARTMENT OF JUSTICE WHICH INCLUDED PROPOSED AMENDMENTS OF SECTION 3011 TO AUTHORIZE THE COURTS TO IMPOSE UPON VIOLATORS SUBSTANTIAL CIVIL PENALTIES AND AN AMENDMENT OF 18 U.S.C 1735 TO INCREASE THE CRIMINAL PENALTIES FOR WILLFUL VIOLATIONS. WE ALSO BELIEVE THAT SECTION 3010 COULD CONSTITUTIONALLY BE EXPANDED TO PROHIBIT ALL MAILINGS OF

SEXUALLY- ORIENTED ADVERTISING TO MINORS. SUCH A PROHIBITION MIGHT ALSO INCLUDE A PROVISION THAT PRIOR RECEIPT OF A WRITTEN REQUEST FOR SEXUALLY- ORIENTED MATTER, SIGNED BY A PERSON CLAIMING TO BE AN ADULT, WOULD BE AN AFFIRMATIVE DEFENSE IN AN ENFORCEMENT PROCEEDING. SUCH A PROVISION WOULD LIKELY ENCOURAGE MAILERS OF SEXUALLY ORIENTED MATERIAL TO OBTAIN WRITTEN CONSENT PRIOR TO MAILING ANY SEXUALLY- ORIENTED ADVERTISEMENT.

FINALLY, WE BELIEVE THIS STATUTE WOULD BE IMPROVED BY REQUIRING THAT MAILERS OF SEXUALLY- ORIENTED ADVERTISEMENTS PURCHASE THE LIST DESCRIBED IN SUBSECTION (b) OF SECTION 3010. AS I MENTIONED EARLIER, ONLY THREE MAILERS CURRENTLY PURCHASE THE LIST AND THE CURRENT ANNUAL SUBSCRIPTION FEE IS $9,768. WE ARE AWARE OF MORE COMPANIES ENGAGED IN THIS BUSINESS WHO DO NOT PURCHASE THE LIST. IF PURCHASE WERE REQUIRED, THE COST OF COMPLIANCE FOR EACH COMPANY WOULD BE REDUCED, HOPEFULLY RESULTING IN GREATER OVERALL COMPLIANCE. MOREOVER, IF PURCHASE IS REQUIRED, THE COURTS MAY BE WILLING TO PRESUME THAT ANY MAILING TO SOMEONE ON THE LIST WAS DONE WITH KNOWLEDGE THAT THE NAME WAS ON THE LIST AND BE WILLING TO ASSESS GREATER PENALTIES.

WE WOULD BE PLEASED TO PROVIDE YOUR STAFF WITH ADDITIONAL INFORMATION CONCERNING ANY OF THE MATTERS I HAVE COVERED AND TO ASSIST IN PREPARING ANY DRAFT LEGISLATION YOU MAY DESIRE.

DEPARTMENT OF F.B.I.
CALIFORNIA DIVISION
NOTICE OF ATTEMPT TO SERVE
WARRANT
OF APPEARANCE
NOTICE TO CLAIM CASH AND/OR MERCHANDISE



THE FOUNTAINS
BUREAU OF
INVITATIONS

CAR-RT SORT **C808
Mr. & Mrs.

Yucaipa, CA 2399

WE ARE ASSUMING YOU CAN USE
$10,000.00 CASH, AND A NEW
1988 MAZDA 323 AUTOMOBILE

Dear Mr. & Mrs.

We assume everyone in your city could use $10,000 and a new car, but everyone in your city is not going to receive this notification--YOU HAVE.

Just imagine driving up to your bank in your new Mazda and depositing the entire $10,000.00 into your account, and then spending your money... any way you want.

My job is tough. My job is to offer families like yours the opportunity to receive valuable cash and merchandise in exchange for a small amount of their leisure time. The enclosed Warrant of Appearance, which is made out in your name, states your two award claim numbers entitling you to at least one award stated in this notification. These award(s) are offered to you in consideration for visiting our facility (driving instructions and map enclosed).

We distribute thousands of items worth millions of dollars each year. We realize we had to make it worth your while to persuade someone of your status to visit our facility. Hopefully, these items will be enough to persuade you.

According to our rules, all advertised awards must be distributed. The stated awards remain unclaimed. You have the opportunity to claim your award(s), but it is limited. You must claim your award(s) within 14 days of receipt of this notice. After this time, we will offer these exact awards to some other family in California.

This offer is not for everyone. When you comply with the rules, you are guaranteed to receive your award(s).

Act today! There is no obligation to purchase anything whatsoever during your visit.

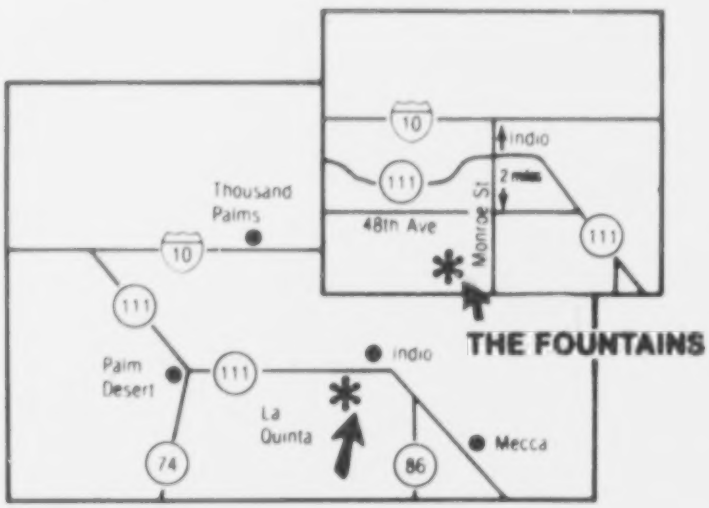
Sheila Harrington

Sheila Harrington

NOTE: AN APPOINTMENT TO CLAIM YOUR AWARD(S) IS REQUIRED. PLEASE CALL 1-800-828-0954 FROM 10AM-8PM MONDAY THRU FRIDAY OR SATURDAY FROM 10AM-2PM.

DETAILS OF PARTICIPATION

To be eligible for this free gift offer you must be between the ages of 23-62 and be creditworthy or be able to demonstrate a consistent annual income of $25,000 or more. This is a national giveaway program with multiple sponsors. All depicted gifts are guaranteed to be awarded and this free gift offer is void where prohibited by law. Only you, the individuals named on this notification are eligible to claim your gift and all persons named on the Notification (if applicable) must be present to acknowledge receipt of the free gift. If married, husband and wife must visit together. There is no obligation to purchase or join anything in order to receive your free gift. All we ask is that you view an informative presentation on vacationing. AN APPOINTMENT TO PICK UP YOUR GIFT IS REQUIRED. The Fountain's Resort owners, employees, persons connected with this program and anyone visiting The Fountain's Resort as a result of any of their promotional programs within the past 12 months are ineligible. Only one notification per family or auto. This offer may not be used in conjunction with any other Fountain's Resort promotion. This Notification is valid only for citizens of the United States and Canada. Suggested retail references are those provided by the manufacturer.



DRIVING INSTRUCTIONS

From the Los Angeles Area: Take I-10 to Indio, turn south on Monroe Street and follow the signs for 2 miles to The Fountain's Resort. (Distance - 129 miles)

From the San Diego Area: Take I-15, Highway 395 north to Highway 79 east (Temucula-Indio Exit). Follow Highway 79 east and take a left onto Highway 371. Then take a right onto Highway 74 and another right (east) to Palm Desert. Take Highway 111 east into Indio. Take a right onto Monroe Street and follow the signs to The Fountains Resort. (Distance - 149 miles)

From Palm Springs Area: Take Highway 111 east. Turn right on Monroe Street and follow the signs to The Fountain's Resort. (Distance - 18 miles)

The Fountain's Resort is 129 miles from Los Angeles, 149 miles from San Diego, 109 miles from Anaheim.

POSTMASTER:
87-27133W
Security

AWARD NOTIFICATION:

M0027553(

OFFICIAL NOTIFICATION
GRAND FINALIST AWARD

CHECK CATEGORY
(X) GRAND FINALIST ( ) FINALIST ( ) SEMI-FINALIST ( ) NON-CASH WINNER

GIFTS	GIFT NUMBERS
( ) 2ND ( ) 3RD (X) TWO OF THEM	#1: 175732 #2: 387499 #3: 625700

87-.7131W
- Sweeney
VA 22091

CONGRATULATIONS J Sweeney, THIS IS YOUR FINAL NOTICE.

You will officially receive the 1988 Ford Thunderbird, VHS Video Cassette Recorder, OR RCA 25" Color TV . . . and if "TWO GIFTS" has been checked above, you will also receive a second great gift . . . when you meet the eligibility conditions and gift claim requirements on the reverse. That's right . . . **TWO GIFTS ARE WAITING!**

GRAND FINALIST

1. 1988 Ford Thunderbird
2. VHS Video Cassette Recorder
3. RCA 25" Color Television

FINALIST

4. IBM Personal Computer
5. Ford 35mm Camera w/Auto Focus
6. Ford 8-Wheel All Terrain Truck

SEMI-FINALIST

7. Quasar 19" Color TV W/Remote
8. 19" VCR
9. Entertainment Unit 3 Piece Stereo

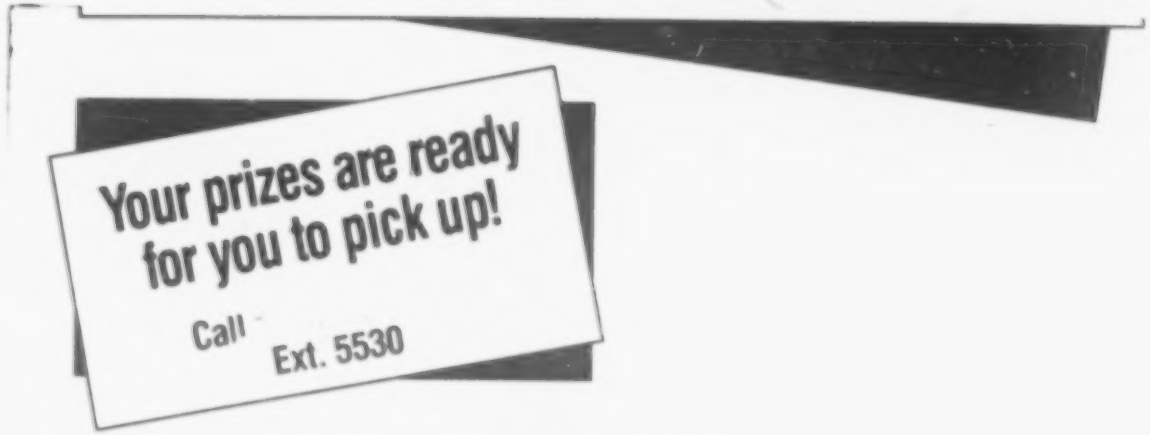
THIS IS YOUR FINAL NOTICE.

Just enter your gift numbers (listed above) and you will receive the 1988 Ford Thunderbird, VHS Video Cassette Recorder, or RCA 25" Color TV . . . plus a second great gift!

To claim your gifts, you must make a appointment. Operators are waiting. Call 1-800-231-6257 (extension 5530, Monday - Saturday, 9:00 A.M. - 9:00 P.M. Make your appointment now to visit Shenandoah Crossing Fare and Club within the next 23 days.

ATTENTION J Sweeney:

Call 1-800-231-6257, extension 5530, within 72 hours of receipt of this letter and receive a special bonus gift valued up to $75.95. So call now to make your appointment.



TERMS AND CONDITIONS

This is a national advertising program with multiple sponsors and is invalid in any state where prohibited by law. The following are ineligible: Owners of , students, employees of the resort, those who are not gainfully employed unless retired), anyone who visited the property in the last six months or Camp Coast to Coast members. This offer is specifically designed for people between 25 and 65 years of age with a combined income of $25,000. In order to receive your gifts, you will be requested to take a tour of the resort. If married, both husband and wife must be present to receive their gift. Offer good on the day of the visit only. We can honor only one letter per car. This notice is non-transferable and identification may be required. To claim your gift you must visit on or before the expiration date. Your exact award will be determined when you visit the resort. Taxes, shipping and handling of any of the awards in the grand finalist category is the responsibility of the recipient. Fees and remuneration not to exceed: six hundred dollars for the car, or one hundred and twenty dollars for the color television or the video cassette recorder. The resort reserves the right to substitute gifts of equal or greater value subject to the availability of the advertised gifts. Recipients agree to allow us to use their names and/or pictures for future promotional purposes. This offer may not be used in conjunction with any other program sponsored by the resort. This advertising material is for the promotion of Shenandoah Crossing Farm and Club. A deeded ownership camping resort.

ODDS STATEMENT

The retail values and winning numbers are randomly assigned and are as follows: #1, 1,150,000 ($10,800); #2, 149,993,150,000 ($329.00); #3, 1,150,000 ($469.95); #4, 1,150,000 ($1800.00); #5, 149,993,150,000 ($69.00); #6, 1,150,000 ($995.00); #7, 1,150,000 ($269.90); #8, 1,150,000 ($250.00); #9, 1,150,000 ($327.00).

H04275530

JIM BRADLEY PONTIAC-CADILLAC-GMC, INC. 5789849
3500 JACKSON ROAD
ANN ARBOR, MI 48103 JUNE 17TH, 87
(313) 769-1200

FIVE HUNDRED ********** $500.00

1051B-5789849

002986

JUNE 17,1987 "SALE HOURS" WEDNESDAY 5 PM - 9 PM $500.00 5789849

NOTIFICATION HEREBY MADE: YOU HAVE BEEN AWARDED THE VALUABLE FREE GIFT BELOW. BRADLEY PONTIAC-CADILLAC-GMC TRUCK INVITES YOU AND YOUR FAMILY TO ATTEND A "ONE DAY" INVENTORY REDUCTION SALE - WEDNESDAY JUNE 17TH, BETWEEN THE HOURS OF 5:00 PM AND 9:00 PM AT JIM BRADLEY PONTIAC-CADILLAC-GMC TRUCK AT THE CORNER OF JACKSON RD. AND WAGNER.

****
* EVERY LETTER HOLDER ATTENDING WILL RECEIVE FREE AT NO OBLIGATION A *
* 35MM CAMERA W/CARRYING CASE (RETAIL VALUE $59.95) *
****

THIS IS A UNIQUE OPPORTUNITY TO CHOOSE FROM A HUGE INVENTORY OF NEW CADILLAC, PONTIAC AND TRUCK MODELS. ALSO, 1986 & 1987 DEMONSTRATORS. OVER 30 TO CHOOSE FROM - AT SPECIAL MARKED DOWN PRICES. WE HAVE A FULL LINE-UP OF OVER 100 PREVIOUSLY OWNED VEHICLES - ALL MAKES AND MODELS FROM $1495.00. MANY SOLD AT "WHOLESALE PRICES" FOR THIS SALE ONLY.

EACH AND EVERY VEHICLE IN STOCK WILL BE DRASTICALLY DISCOUNTED AND CLEARLY MARKED WITH A "WAS"/"IS" PRICE TAG SO SAVINGS ARE IMMEDIATELY APPARENT.

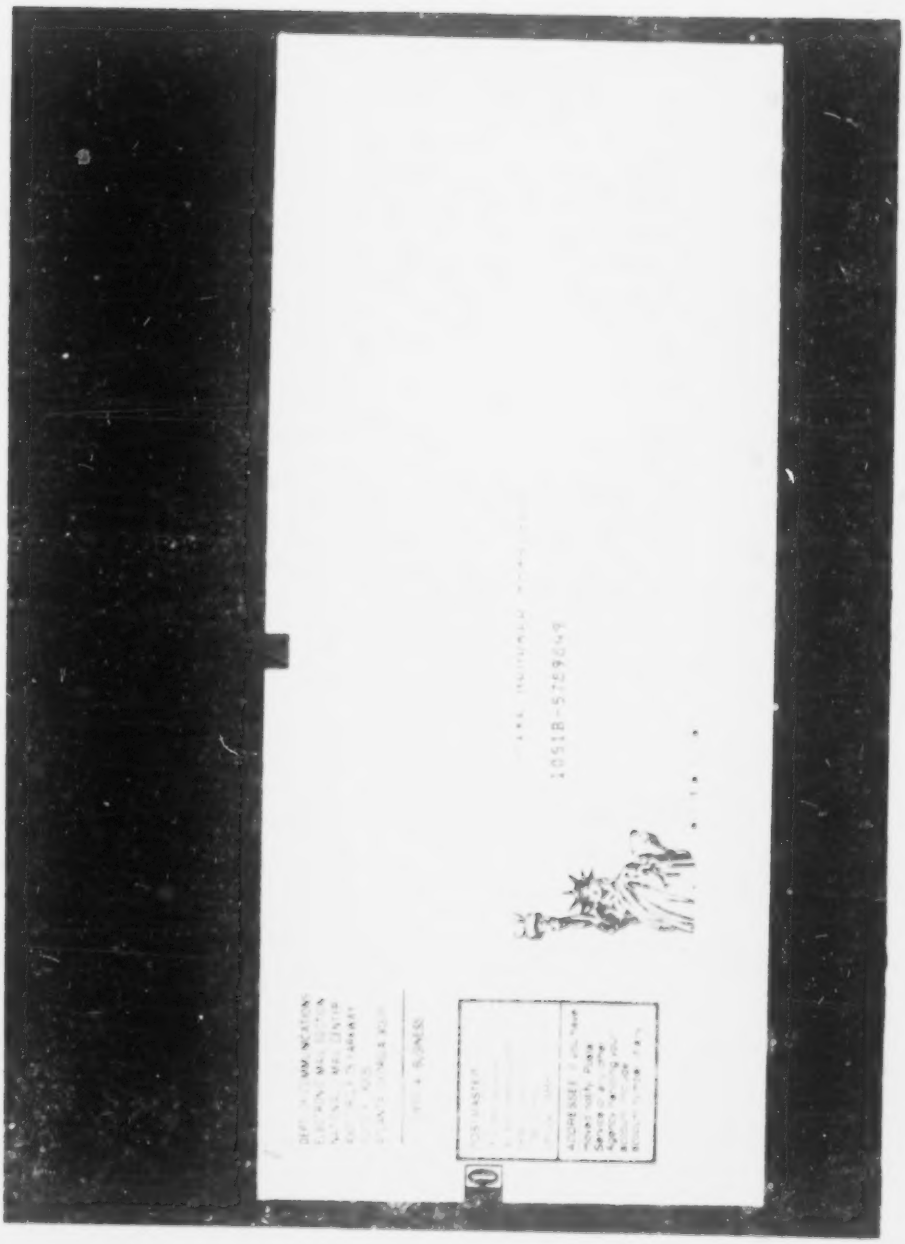
*** ALL FACTORY INCENTIVES & INTEREST RATES WILL BE HONORED ***
*** GMAC PREFERRED CUSTOMER PRE-APPROVED PROGRAM ***
*** GM OPTION II PURCHASE PLAN ***
*** GM COLLEGE GRADUATE PROGRAM ***

WE NEED TRADE-INS - LICENSED OUT-OF-STATE BUYERS ON SITE ASSURING TOP DOLLAR FOR YOUR TRADE - BRING YOUR TITLE OR PAYMENT BOOK AND COME PREPARED TO PURCHASE OR LEASE - LOCAL BANK REPRESENTATIVES WILL BE ON HAND TO ASSIST IN IMMEDIATE DELIVERY.

REMEMBER - THIS IS A PRIVATE "INVITATION ONLY" "ONE DAY EVENT" LETTER MUST BE PRESENTED TO UNIFORMED SECURITY GUARD FOR ADMISSION. THIS SALE WILL NOT APPEAR IN NEWSPAPERS - RADIO OR T.V.

MAKE YOUR BEST DEAL & CASH YOUR CHECK VOUCHER OF $250 - $400 OR $500 ON ANY NEW OR USED VEHICLE, PURCHASED DURING OUR BIGGEST INVENTORY REDUCTION SALE

***** FOR THIS SALE ONLY, IF YOU PURCHASE A NEW CADILLAC FROM STOCK ****
WE WILL DOUBLE THE AMOUNT OF YOUR CHECK VOUCHER.



WINNERS RELEASE FORM
Prepared for use in Missouri

Prize Winner 0013623095 32F2S C70

Mr
Dr.
St. Louis, MO 63133

Please Return No Later Than
February 15, 1989

1. By signing below, I state that I am eligible for the cash prize I have won.

2. I am a U.S. resident, 18 years of age or older.

3. I am not an employee of the Pacific West Cancer Fund, it's suppliers or advertising agency.

4. I agree to be responsible for any taxes that may be due on the cash prize I have won.

5. Check one:
/_/ I hereby give permission to use my name for publicity purposes in return for the cash prize I have won.

/_/ No, I'm publicity shy, but as a cash winner I am willing to let you use my name or initials in connection with contest publicity according to arrangements I will make later with your office.

6. To claim my prize and be entered in the $75,000.00 sweepstakes, I have enclosed (check one) and signed my name agreeing to the above terms.

/_/ A personal check or cash in the amount of $5 or more to help in the fight against cancer (make check payable to Pacific West Cancer Fund), or

/_/ Although I know this is a charity, I cannot afford to contribute at this time.

Date Signature of Mr.

Use special enclosed envelope or mail to
ROBERT R. STONE—ATTORNEY-AT-LAW
918 F STREET N.W. SUITE 412 WASHINGTON DC 20069

United Cancer Council $5000 Issue Sweepstakes

$75,000 SWEEPSTAKES
OFFICIAL RULES

1. To enter, complete the official entry/contribution order form and return it in the appropriate envelope provided, with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 31, 1991. To qualify for the Early Bird Prize drawing, your entry must be received by a date specified elsewhere in this offer. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.
2. Winners will be determined in random drawing conducted before January 30, 1992, by an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 14 days of date of notification. No substitutions for prizes except as may be necessary due to unavailability. Travel prizes are subject to space and departure availability. All travel must be completed by December 31, 1992. On all travel prizes a minor must be accompanied by a parent or guardian. Limit one major prize per person or per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners' names and likenesses for publicity purposes without additional compensation.
3. Approximate retail values of the prizes are as follows: 1 Grand Prize (up to $25,000); 2 Second Prizes (up to $500 each); 3 Third Prizes (up to $250 each); 4 Fourth Prizes ($11.85 each); 1 Early Bird Prize (up to $2,000). Grand Prize winner may choose from the following offered: $15,000 cash; or a $25,000 annuity payable at $2,500 per year for 10 years with the first payment occurring one year from the time the prize is awarded. Travel prizes include round trip coach airfare, hotel accommodations, meals and sightseeing.
4. The $75,000 Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 300 million letters. Prize choices will be offered at some levels. Winners will have their choice of any prize offered at level won.
5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S. 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising, promotion and production agencies are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.
6. For a list of major winners, send a stamped, self-addressed envelope to: or before December 1, 1991 to: $75,000 Sweepstakes Winners, P.O. Box 181, Lowell, IN 46356. DO NOT SEND OTHER CORRESPONDENCE TO THIS ADDRESS. Winners' lists requests will not be fulfilled until after January 30, 1992.

$5,000.00 SWEEPSTAKES
OFFICIAL RULES

1. How to enter — Return the official entry form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win.
2. Drawing — Winners are selected in a random drawing by an independent agency. Each entry has an equal chance to win the prize. The winner will be drawn at random from all entries received as the result of its promotion. Winners will be selected approximately 45 days after deadline date by an independent accountant whose decisions are final. You do not have to be present to win. The winner's checks will be sent after the drawing date by return mail after full compliance with official rules.
3. Prizes — The total value of the Sweepstakes is $5,000.00. The following prizes are offered: 5 checks — $100; 5 checks — $50; 10 checks — $25; 100 checks — $5; 500 checks — $1; and the remaining $3,000 will be split equally between all other individuals who return the Winners Release Form and follow these rules. However, the minimum prize will be ten cents.
4. Who is eligible to enter — The Sweepstakes is open to residents of the United States, 18 years and older, and its possessions. Sponsors of the Sweepstakes, their families, agents, vendors and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release from liability and advertising consent. Mutilated or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified.
5. General — This sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Offer void where prohibited by law. All federal, state and local regulations apply. Taxes on all prizes are the responsibility of winners. This promotion is specifically void in the states of Florida, North Carolina, Vermont and Maryland.
6. Sweepstakes ends — The deadline for entering this sweepstakes is March 31, 1989. Postmark determines date.
7. Winners List — For the names of the major prize winners, write to: Sweepstakes Winner List, P.O. Box 19511, Alexandria, VA 22320. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes.
8. Odds of winning are determined by the number of official entry forms received. Not responsible for lost, late or misdirected mail. Prize claim coupons will not be honored if mutilated, altered, tampered or stolen or not received through legitimate channels.

A copy of Pacific West Cancer Fund's latest annual report may be obtained by writing to Pacific West Cancer Fund, 1111 3rd Ave., Suite 700, Seattle, WA 98101.

83701

ROBERT R. STONE
ATTORNEY-AT-LAW
918 F STREET NW SUITE 412
WASHINGTON DC 20009

January 12, 1989

Mr.
Dr.
St. Louis, MO 63133

Dear Mr.

I have been retained by the Pacific West Cancer Fund (PWCF), to notify you of the results of the organization's sweepstakes campaigns.

This letter is notification that you have won a cash prize in the PWCF $5,000.00 Sweepstakes. PWCF is very pleased you are a winner and shall look forward to you returning the enclosed Winner's Release Form so your prize check can be sent to you.

Please read the enclosed Winner's Release Form - then sign and return it to me at once.

Also, as a winner in the $5,000.00 Sweepstakes by returning the enclosed form, you will automatically be entered in the All American $75,000.00 Sweepstakes.

PWCF is very happy that you have won a prize. You are not obligated to make a contribution to PWCF in order to claim your cash prize, but since this is a "charity" sweepstakes, we do hope that as a cash prize winner you will wish to contribute at least $5.

As the number of new cases of most major forms of cancer continues to increase each year, PWCF's efforts to educate Americans about early detection and prevention becomes all the more important. Regardless of whether you contribute -- your sweepstakes cash prize remains yours to keep no matter what.

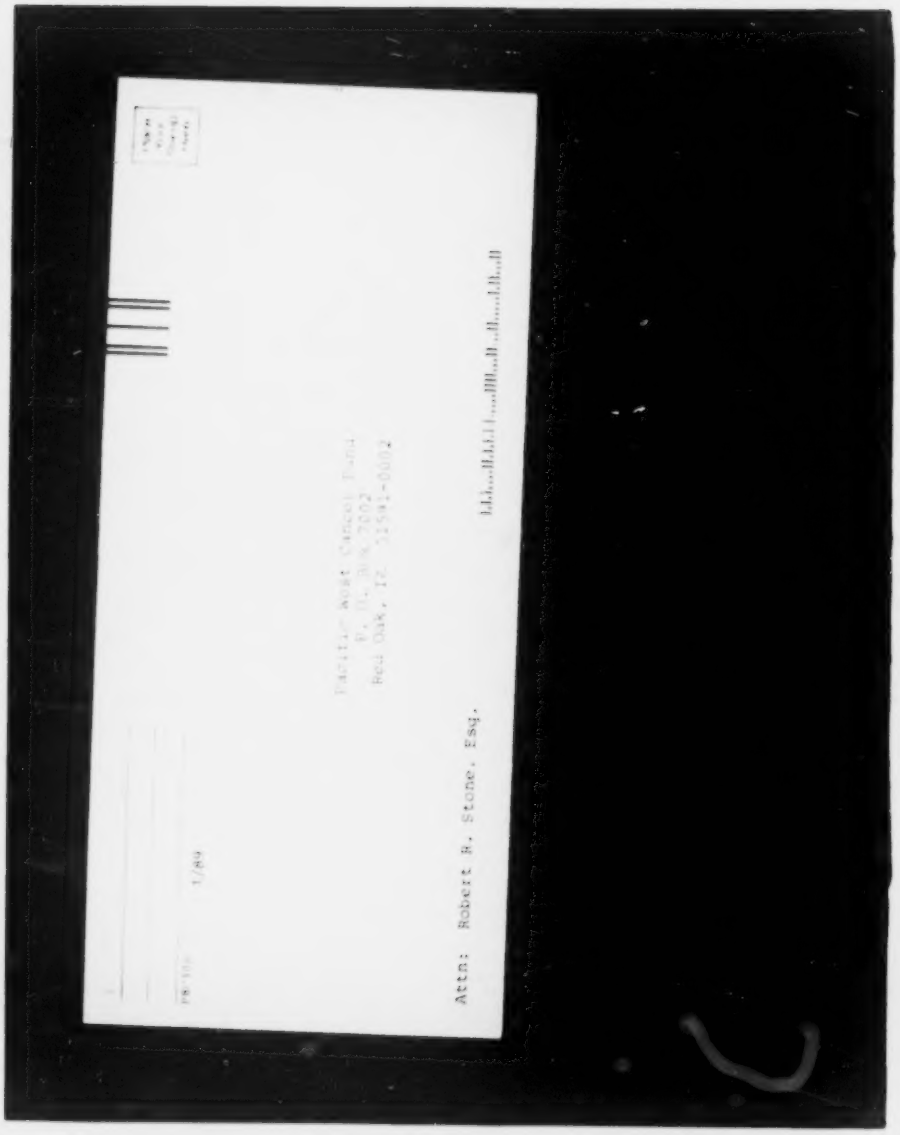
Please let me or my client know if you have any questions and we will anxiously await the return of the enclosed Winner's Release Form.

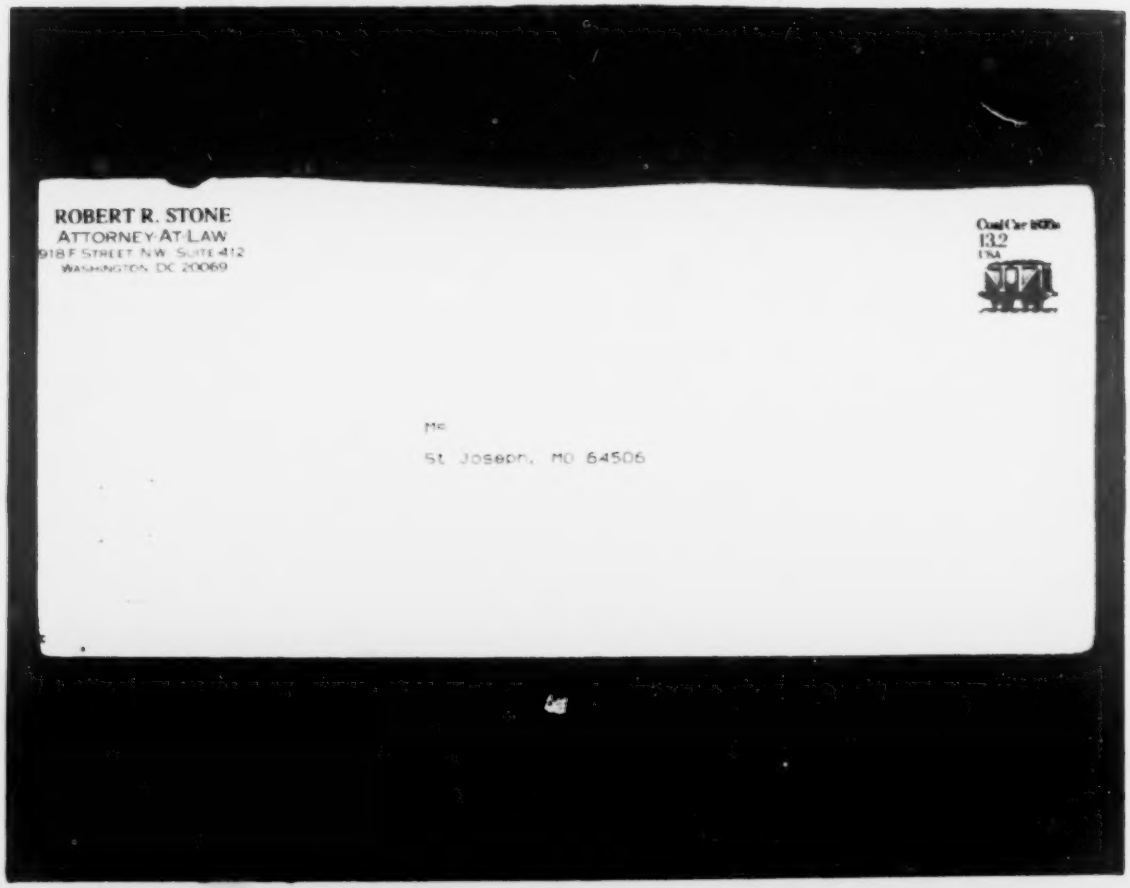
Sincerely,

Robert R. Stone

Robert R. Stone
Attorney

P.S. Please complete and return the enclosed Winner's Release Form at your earliest convenience. Call (301) 629-3777 with any questions you may have.


Attn: Robert B. Stone, Esq.



ROBERT R. STONE
ATTORNEY AT LAW
918 F STREET N.W. SUITE 412
WASHINGTON, DC 20069

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13.2
USA

Mr
St Joseph, MO 64506

Hearing on S. 273, "Deceptive Mailing Practices Act"
Subcommittee on Federal Services, Post Office
and Civil Service

February 28, 1989

Questions of Senator Sasser for Jack E. Swagerty

Q: Who, besides the U.S. Postal Service, has authority to investigate non-profit organizations that conduct fund-raising by direct mail for allegedly charitable causes? For instance, does the Federal Trade Commission, to your knowledge, share such jurisdiction?

Q: We have heard disquieting testimony that numerous outfits that conduct fundraising by mail for "charities" actually contribute a very low percentage of funds collected to the causes for which they solicit. It would appear that the chief purpose of such entities is to earn handsome returns for the individual fundraisers. Their salaries, fees, overhead and mailing costs always, somehow, gobble up the lion's share of proceeds. Indeed, the pittance that reaches the intended "charity" could be viewed as a "fig leaf" to justify the fundraiser's existence. Do you believe it is advisable to change the laws, to ban or limit what I might call "shell" non-profits? What specific changes might you suggest that would make it easier for the Postal Service to investigate, monitor or regulate less scrupulous fundraisers?

Q: It would appear that "new" non-profit fundraisers, or successors or spin-offs of old ones, can operate for up to a year without being required to file adequate financial disclosure statements. That's a long time during which the fundraiser can amass huge revenues, while donors have no way to find out how much of their dollars will actually go to charity. Would you think it feasible to institute some form of interim reporting for "new" non-profit entities, on a quarterly or semi-annual basis?

Q: Many elderly persons are targeted by deceptive "sweepstakes" mailings and asked to donate the little income they have to charities that spend most of their receipts on fundraising, rather than cancer or heart disease research. Do you see merit in requiring the sponsors of such "sweepstakes" to indicate prominently in their mailings the actual odds involved in winning the large "prizes" they promise?

Q: One of the non-profit fundraisers which I understand is under contract with Watson & Hughey is the "Cancer Fund of America," based in Knoxville in my home State of Tennessee. It has affiliations with a similar fund, the "Cancer Association of Tennessee," which has been operating for several years. Can you tell me whether either of these funds has been the subject of investigation by the Postal Service and if so, whether any proceedings have been instituted by or on behalf of the Postal Service with respect to these funds?

CHIEF POSTAL INSPECTOR
Washington, DC 20260-2100

March 20, 1989

Senator Jim Sasser
298 Russell Senate Office Bldg.
Washington, D.C. 20510-4202

Dear Senator Sasser:

This is in reply to the questions you submitted following the February 28, 1989 hearing the Subcommittee on Federal Services, Post Office and Civil Service held on S.273. For your convenience, a copy of the questions is attached.

First Question

It is my understanding that the Federal Trade Commission interprets its jurisdiction as not embracing the activities of non-profit organizations. However, I understand the Commission believes it has jurisdiction over for-profit fundraising companies conducting solicitations on behalf of non-profit organizations. I would, of course, defer to the Commission for a more informed statement of its jurisdiction in this area. Also, to the extent fundraising activities violate the wire fraud (18 U.S.C. 1343) and mail fraud statutes (18 U.S.C. 1341), the Federal Bureau of Investigation would also have jurisdiction to investigate the violation.

Second Question

As I stated earlier in my testimony, it would appear desirable to review the standards applied by the Internal Revenue Service in granting tax-exempt status to make certain that, using your very apt term, "shell" organizations are not granted tax exempt status. It would also appear desirable to establish some type of Federal control over the solicitation practices of allegedly non-profit organizations. Probably the most appropriate agency to exercise this responsibility would be the Federal Trade Commission. For the purpose of enhancing our ability to use our existing authority, we have recommended that 39 U.S.C. 3005 be amended to include civil investigative demand authority to gain access to the financial records of organizations which appear to

be misrepresenting use of the funds they are soliciting. We also have recommended that the mail fraud statute (18 U.S.C. 1341) be amended to allow the forfeiture of profits and proceeds of mail fraud schemes, thereby preserving such funds for possible return to victims of the crime.

Third Question

Yes. I see no reason why more frequent reporting could not be required. However, it would also be important, in my opinion, to develop some way of making the public aware that such reports may be obtained and insuring that they provide meaningful information. Standardization of some of the terminology used in the reports would seem very desirable. We have, for example, reviewed reports that indicate a high percentage of income was allocated to "educational" activities, although those activities consisted of no more than a few lines of information in a multi-page appeal for funds.

Fourth Question

Absolutely. In fact, we have taken the position in current litigation that a sweepstakes mailing which conveys the false impression that the addressee has won a substantial prize when, in fact, the "prize" is worth less than the postage cost of responding to the mailing, violates the false representations statute (39 U.S.C. 3005). Several years ago, the Congress enacted legislation that requires prominent warnings on solicitations that appear to be bills or invoices (see: 39 U.S.C. 3001(d)). Similarly, prominent disclosure of the actual odds of winning a sweepstakes may be necessary to avoid deception where mailings are used that reasonably can be considered to represent that the addressee has won a significant prize.

Question Five

Each of these organizations is under investigation at the present time. As I previously testified, we have initiated action under 39 U.S.C. 3005 against the "attorney letter" solicitation developed by Watson & Hughey for the Pacific West Cancer Fund. Several other Watson & Hughey clients, including Cancer Fund of America and Cancer Association of Tennessee, use the "attorney letter" device in their solicitations. We have advised Watson & Hughey that we intend to bring similar actions against all of their clients using this device and they have expressed a desire to settle each of these matters. We will, therefore, be filing actions against these Tennessee organizations. They will either be settled or litigated to a conclusion.

Please let me know if I may be of further assistance.

Sincerely yours,

J. E. Swagerty
Assistant Chief Postal Inspector
Criminal Investigations

STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

Ranking Minority Member
Senate Permanent Subcommittee on Investigations

Before the U.S. Senate Committee on Governmental Affairs
Subcommittee on Federal Services, Post Office, and Civil Service

February 28, 1989

Thank you, Mr. Chairman. I appreciate the opportunity to share some thoughts on the serious problem of deceptive mailings, particularly those mailings that target and victimize older Americans. This is an issue that I have been deeply concerned about for some time. Almost two years ago, I sent a questionnaire to Delaware voters aged 65 and over, asking if they had ever received deceptive mail. My office was flooded with responses, well over a thousand, from seniors who had received such mail, and who wanted federal legislation to address the problem.

When I was Chairman of the Permanent Subcommittee on Investigations (PSI), I had asked my staff to take a look into reports that retired citizens nationwide were being fooled or frightened into making needless donations to unscrupulous direct mail operators. That investigation turned up substantial evidence to support the need for legislation.

Specifically, PSI found that numerous fly-by-night groups deliberately fool their direct mail targets into believing that the government is asking for money. Worse, they play on the fears and apprehensions of our senior citizens by falsely asserting that funding for Social Security and other government-sponsored retirement benefits is in jeopardy. These organizations lend credence to their outlandish claims through a variety of devious techniques that suggest official backing for their operations. Some mention government agencies or programs prominently in their mailings. Some mail their solicitations in envelopes designed to resemble, in size and color, the envelopes that contain Social Security checks and other official government documents. At times, an organization will try to imply a government connection by printing slogans like "Buy and Hold U.S. Savings Bonds" on its envelopes.

A number of the worst offenders among deceptive direct mail distributors deem themselves "educational" social welfare organizations in order to qualify for tax-exempt status. They send solicitation letters to carefully selected mailing lists of retirees and others likely to be worried about their Social Security benefits. These letters typically warn recipients that they are in danger of losing their Social Security benefits unless they make a contribution of $40 or more. At the same time, the letters are often deliberately printed to resemble government correspondence. One mailing we saw has the words "Urgent! Important Social Security and Medicare Information Enclosed" emblazoned in large red and blue

letters across the front of its envelope, along with this supposedly urgent instruction: "Attention Postmaster: Time Dated Official National Committee Documents Enclosed. Expedite for Immediate Delivery." Such mailings, sent out by some groups as often as once a month, clearly work. In its first four years of operation, the largest of these groups recruited nearly 4 million members and collected more than $70 million.

But what do contributors to the so-called "non-profit" groups get for their money? In general, PSI's investigation showed that these organizations tended to spend most of the money they collected on producing and sending out more mailings, seeking still more money. Unlike well-established senior citizens' organizations like the American Association of Retired Persons and the National Council of Senior Citizens, which provide their members with a wide range of benfits and services and lobby actively on their behalf, the "letterhead" organizations have yet to establish themselves as major players in the Social Security debate.

The continued success of these organizations is grounded in deception. In addition to raising unwarranted fears about the solvency of the Social Security system, they trick many of their recipients into believing that they are government sanctioned. An 81 year-old constituent of mine admitted that she had sent a series of donations to one such organization to, in her words, "keep my Social Security coming each month." It is indeed shameful that there are direct mail operators out there who exploit such people.

Today the Subcommittee will consider legislation that would help targets of these kinds of deceptive mailings to distinguish them for what they are - purely private solicitations. The Deceptive Mailings Prevention Act of 1989, S. 273, would require any fund raising literature that implies some affiliation with the federal government to carry a conspicuous disclaimer denying any such connection. I commend Senator Heinz for introducing this legislation. I am delighted to be a cosponsor, just as I was delighted to be a cosponsor of similar legislation that Senator Heinz introduced during last session. I have attached to my testimony today a copy of my statement in support of Senator Heinz's bill from the 100th Congress. That statement set forth, at greater length, the findings of PSI's investigation into deceptive mail. I ask that that statement be inserted into the record following my remarks.

Mr. Chairman, I commend you for holding this hearing, and I look forward to the testimony of the other witnesses scheduled to testify before the Subcommittee today. I am pleased that the diversity of organizations represented here today apparently share a common interest in seeking measures to protect citizens from deceptive mail.

I would encourage this subcommittee and the Senate as a whole to move ahead quickly on consideration of S. 273. This bill is urgently needed. We must do what we can to ensure that this country's senior citizens are no longer fooled into squandering any of their hard-earned savings as a result of deceptive mail.

DECEPTIVE MAILINGS PREVENTION ACT

Mr. ROTH. Mr. President, I am pleased to join my distinguished colleague from Pennsylvania, Senator HEINZ, in cosponsoring S. 1393, the Deceptive Mailings Prevention Act of 1987. I want to commend Senator HEINZ for his efforts on this important issue.

I know that I am not the only Senator who has received letters from distraught constituents who have been terribly alarmed by solicitation letters received in the mail from what I call the merchants of fear and the prophets of doom.

Many Americans at or near retirement age have been understandably concerned in recent years about the future of the U.S. Social Security system. Warnings that the system could run out of money before the turn of the century, coupled with inflammatory statements about imaginary plans to "dismantle" Social Security, have left many Americans on edge about the fate of their hard-earned retirement benefits.

Working closely with President Reagan, Congress recently took decisive action to ensure that Social Security will remain strong and solvent well into the 21st century. While there will always be room for improvement, it is safe to say that the reports of the death of Social Security have been, in Mark Twain's words, greatly exaggerated.

Yet despite the firm commitment of the President and Congress to ensure the continued soundness of Social Security, dire warnings of impending catastrophe continue to echo across the land. Sometimes the prophets of doom are politicians seeking an advantage over their opponents; in other cases the merchants of fear are clever marketing experts, trying to drum up contributions to enrich their coffers. In either case, those who are tempted to cast their votes or send in their money based on threats about the impending collapse of Social Security would do well to take another look—both at the warnings and at the people who sound them.

The staff of the Permanent Subcommittee on Investigations, on which I serve as ranking minority member, has taken a look at the methods of some of these operators who use direct mail solicitations to frighten elderly citizens into making cash contributions that they too often can ill afford. That investigation turned up substantial evidence to support the need for this legislation.

Numerous fly-by-night groups, which call themselves "educational" social welfare organizations in order to qualify for tax-exempt status, are using outrageous direct mail solicitation techniques to play on the fear and apprehensions of our senior citizens. These groups, through their misleading and highly deceptive tactics, have aroused fear and consternation, apparently in the cynical belief that arousing these unwarranted fears is the best way to raise big bucks fast.

The deceptive Mailing Prevention Act of 1987 will help deal with this problem by requiring that such solicitations include on the envelope or outside wrapper of the mailing the message: "Private Solicitation Enclosed" and by the requirement that the face of the mailing contain in large, legible type the message: "This product, service, or solicitation is being offered by a private organization. This organization is not affiliated with the Federal Government or any agency of the Federal Government."

While passage of this legislation would help a great deal in counteracting the effects of these "scare" tactics, we all should recognize that the Government's ability to shield the public from hyped-up, misleading mailings is limited. The most important protection against high-pressure scare tactics is the caution and good judgment of the American people. As with any other request for money received in the mail or over the phone, the best advice the consumer can follow in deciding whether to send a donation in response to a direct-mail solicitation—whether to "save Social Security" or for any other cause—is the ancient wisdom of caveat emptor. "Let the buyer—or the contributor—beware."

As I previously indicated, in order to find out what contributors to these so called nonprofit groups get for their money, I directed the staff of the Permanent Subcommittee on Investigations to conduct an inquiry into the operations of a half dozen organizations whose fundraising appeals are tied to Social Security or other issues of special concern to the elderly.

These organizations send solicitation letters to carefully selected mailing lists of retirees and others likely to be worried about their Social Security benefits, and they use every trick of the direct-mail trade to solicit contributions: Exaggerated, emotional language; personalizing devices like bluepen underlinings and handwritten "P.S.'s"; "participation" gimmicks—surveys and "petitions" to Congress—imaginary deadlines for contributions; matching checks; special "funds" requiring "emergency" contributions; "personal gifts" for members, and the like. The mailings, which some groups send out as often as once a month, re-

flect the direct-mail expert's ability to exploit such powerful human emotions and foibles as fear, guilt, anger, greed and vanity.

And they work. The largest of these groups, in 4 years of operation, has recruited nearly 4 million members and collected more than $70 million. Most of these groups call themselves "educational" social welfare organizations in order to qualify for tax-exempt status under the Internal Revenue Code. Only one member of this club, the Social Security Protection Bureau, makes no effort to disguise the fact that it is a commercial venture. Run by a direct-mail firm in Alexandria, VA, the company operates a series of "Social Security Sweepstakes". Top prize in one recent sweeps was a choice of a new car, a mink coat, or a European vacation. The bureau charges its members $7 for these items. A plastic Social Security card, a promise of a $500 reward for information leading to the conviction of anyone fraudulently misusing the member's Social Security number, a 12-page "Guide to Social Security Benefits"; a "free gift"—packet of seeds, refrigerator magnet, etc.—and a form for requesting a copy of the member's Social Security earnings statement—a form which is available free directly from the Social Security Administration.

While the value of membership in the Social Security Protection Bureau may be open to question, at least the organization can claim the virtue of candor—it is a straightforward, money-making enterprise that pays taxes on its profits.

But what do contributors to the so-called "nonprofit" groups get for their money? In general, our investigation showed that at least through the end of last year, these organizations tended to spend a large portion of the money they collect on producing and sending out more mailings, trying to raise still more money. Unlike well-established senior citizens' organizations like the American Association of Retired Persons and the National Council of Senior Citizens, which provide their members with a wide range of benefits and services and lobby actively on their behalf, the "letterhead" organizations have yet to establish themselves as major players in the Social Security debate. In fact, several such organizations have recently gone out of business because their initial mailings did not generate enough revenue for them to continue. While their directors may decide to reorganize and try again later on, the thousands of dollars contributed in response to their startup, or "prospect," mailings have gone straight down the drain.

The subcommittee's staff investigation also revealed that enriching the coffers of direct-mail firms is not the only commercial purpose served by some of these "nonprofit" groups. These groups, which can mail their letters at cutrate postage because of their nonprofit status—the taxpayers make up the difference in the actual cost of mailing—often include sales pitches for group life, health and "credit care pay-up" insurance plans—ostensibly made available as an additional benefit for joining the organization.

According to insurance experts, these group plans may charge as much or more for the same coverage as insurance purchased on an individual basis. And the value of the insurance is questionable, one $10,000 life insurance policy offered, for example, is cut to $5,000 when the policyholder reaches age 65, to $2,500 when he or she reaches 70 and to just $1,250 at age 75. Coverage for natural—as opposed to accidental—death doesn't begin until the policies have been in force for 2½ years.

Officials of the organizations insist that they make little or no money from their arrangements with insurance companies, and offer the insurance strictly as a service to their members. But consumer advocates argue that insurance should be purchased as part of an overall financial plan for retirement—not as a gimmicky "benefit" of membership in a senior citizen's organization. Consumer advisers also warn against giving out credit card account numbers in response to direct-mail or telephone solicitations—yet the application form for "credit card pay up" insurance requires the applicant's credit card number in order for the insurance to take effect.

Another problem uncovered by our investigation is the use by some letterhead organizations of an attention-getting device called a "teaser." Some organizations mail their solicitations in envelopes designed to resemble, in size and color, the envelopes containing Social Security checks and other official Government documents. At times an organization will try to reinforce this impression by printing slogans like "Buy and Hold U.S. Savings Bonds" on the envelopes. One mailing we saw has the words "Urgent! Important Social Security and Medicare Information Enclosed" emblazoned in large red and blue letters across the front of its envelope, along with this breathless message: "Attention Postmaster: Time Dated Official National Committee Documents Enclosed. Expedite for Immediate Delivery."

While these practices are not currently illegal, they are misleading at best and give every appearance of being deliberately deceptive. The Postal Service, the Social Security Administration, and other Government agencies have sometimes been able to persuade organizations to alter their mailings and eliminate suggestions that they contain Government documents; but under present law, such cooperation is voluntary and subject to change if a direct-mail firm comes up with a new "teaser" to grab people's attention.

Mr. President, this legislation will help deal with that particular problem. It is important and vital legislation. I urge its prompt adoption.

Mr. President, I yield my time.

The PRESIDING OFFICER (Mr. CONRAD). The Senator from Wisconsin.

SENATOR JOSEPH I. LIEBERMAN

FEDERAL SERVICES, POST OFFICE AND
CIVIL SERVICE SUBCOMMITTEE
Committee on Governmental Affairs

Mr. Chairman, thank you for inviting me to testify today on S. 273, the Deceptive Mailings Prevention Act of 1989, and on other problems consumers have with direct mail advertising and solicitation.

I was Attorney General of the State of Connecticut from 1983 to this year, and much of my time in that position

was occupied by investigating and prosecuting those who committed consumer fraud. Some of the most appalling consumer rip-offs are those that arrive in the mail.

Every day in this country, millions of Americans receive some kind of fraudulent solicitation by mail. While it doesn't get the attention it deserves from some law enforcers or from the media, direct mail con-artists routinely steal millions of dollars from unsuspecting consumers.

I say "steal" because they use deceit to defraud average citizens of their hard-earned dollars. The deceit comes in many forms. One of the most common promotional con-games involve time-share campgrounds, condominiums or resorts. This industry routinely mails out millions of postcards and letters enticing consumers to attend hard-sell promotions by telling them they have won a" fatulous" prize. The prize, which is grudgingly given after the consumer has undergone hours of indoctrination about the time-share offer, usually turns out to be a very inexpensive item hardly worth the trip to the resort or condo project.

Another form of mail fraud is one directly addressed by S. 273, and that is the "look-alike" mailings, generated by private organizations, that are designed to appear as

official government documents. As Attorney General, I warned Connecticut consumers about one such con-game practiced by a company called the "Federal Record Service." The name alone is obviously designed to mislead, and the letter sent to consumers has, of course, an official sounding Washington address.

This letter is worded to intimidate unsuspecting parents into believing they must obtain a Social Security number for their newborn child. The letter says "County records indicate that your newborn child has not been registered with the Social Security Administration." Well, that's an outright fabrication because, in Connecticut, there is no such thing as a "county" record, because we don't have county governments anymore.

The letter also appears to say that federal law requires a child to have a Social Security number. While having such a number is now helpful for parents claiming children as dependents, at the time this letter was sent out, no such law was in existence.

The worst part about this look-alike letter is the apparently "official" form it asks the consumer to fill out, which requires a payment of $10 to the Federal Record Service. In fact, anyone can obtain a Social Security number for a child at no charge whatsoever.

While the Social Security Administration has warned consumers about such look-alike mailings, it doesn't have the ability to target the thousands or millions of consumers reached by the so-called Federal Record Service. A spokesman for the Social Security Administration has also indicated that this mailing may be legal.

That is why S. 273 is important. We need to put a stop to companies that cloak themselves in a pseudo-official veneer of respectability and authority. Stripped of such false trappings, they will be hard-pressed to convince consumers to part with their dollars.

One final form of direct mail fraud I would like to warn you about involves misleading "sweepstakes" promotions that are tied to dubious charities.

One of the last reports prepared by my office while I was Attorney General was issued in December and it exposes the fraud behind "sweepstakes for charity." Consumers in Connecticut and across the country were flooded with letters last fall from one "Robert R. Stone," an attorney here in Washington. In his letter, Mr. Stone writes: "I have been retained by the Pacific West Cancer Fund to notify winning contestants of the results of the organization's sweepstakes campaigns. This letter is

notification that you have won a cash prize in the PWCF $5,000 Sweepstakes. PWCF is very pleased you are a winner and shall look forward to you returning the enclosed Winner's Release Form so your prize check can be sent to you..." The letter goes on to encourage the consumer to send in a $5 charitable contribution to the Pacific West Cancer Fund with his or her "release" form.

So what do you get after sending in your $5 check? Virtually all respondents stand to receive a check for an astonishing...nine cents.

This promotion, and others like it, was organized by Watson & Hughey, a direct mail fundraising company located in Alexandria, Virginia. It's bad enough that the company defrauds thousands of consumers out of millions of dollars by misleading them about their status as "winners" of a "sweepstakes." What's worse is that the company also generates the money by appealing to the charitable instincts of these consumers.

The problem is, these charities, with compelling names like Project Cure, the United Cancer Council, the Walker Cancer Institute, and the American Heart Disease Prevention Foundation, are usually small operations that spend very little time and money actually performing charitable works.

Take, for example, the American Heart Disease Prevention Foundation, located in Montclair, New Jersey. In 1987, it issued one $35,000 research grant and performed no direct services, such as patient counseling, transportation, provision of hospital equipment, and so on. It claims that it spent over $600,000 on "educational expenses," but what that really means is that the charity included a small "postscript" on one of its fundraising letters suggesting that people eat right and exercise. The American Heart Disease Prevention Foundation took in, that same year, $1.2 million.

That's $1.2 million that should have gone to legitimate heart disease prevention or research. It's a sin that it didn't, and it should be a crime.

I'm submitting to this committee a copy of the Federal Record Service letter I discussed earlier, together with a copy of the Sweepstakes for Charity report prepared by the Public Charities Unit of the Connecticut Attorney General's office.

I thank you, Mr. Chairman, and I thank this subcommittee for investigating direct mail fraud. The problem is so widespread, crossing all state lines, and so costly to consumers that a federal response is desperately needed.

State of Connecticut

JOSEPH I. LIEBERMAN
ATTORNEY GENERAL

Office of the Attorney General

FOR IMMEDIATE RELEASE

contact: Jim Kennedy, 566-2026
050986

LIEBERMAN WARNS FAMILIES ABOUT SOCIAL SECURITY SCAM

HARTFORD -- Attorney General Joseph I. Lieberman today warned families with newborn children "to beware of a social security scam they may receive in the mail."

"Families in Connecticut with newborn children may receive a mailing from the Federal Record Service," Lieberman said. "While the mailing is designed to look and sound like an official government notice, in fact it's from a private company out to make money."

Lieberman says the mailing encourages parents to have their children register with the Social Security Administration -- a service the Federal Record Service charges $10 for. "There's a lot of problems with this mailing," Lieberman said. "It tries to skirt the law, but I believe it's designed to deceive, and I don't want Connecticut parents to fall into the Federal Record Service's trap."

Lieberman outlined his concerns about the mailing, noting that:

* it says "new federal legislation may require that all dependents be listed by Social Security Number," when, in fact, there is no such requirement;

* the mailing says that "county records indicate that your newborn child has not been registered with the Social Security Administration." Lieberman says he doubts that the Federal Record Service has checked any "county" records;

* the Federal Record Service charges $10 to "handle the paperwork and clerical details" -- a "service" that parents could perform on their own for, at most, the cost of a first class stamp;

Lieberman says he takes issue with a spokesman for the Social Security Administration who indicated the mailing may be legal. "While the Federal Record Service does disclose in the mailing that it is a non-government agency, there are potentially vio-

(more)

lations of law if statements made in the mailing are not true," Lieberman said. "It's so clear that this company is trying to make people think they're an official agency that we must try to find some way to put a halt to their mass mailings."

Lieberman says he is alerting U.S. Postal Service inspectors about the mailing, as well as other state attorneys general. He will also discuss the mailing with the state Department of Consumer Protection to determine whether any state consumer protection laws have been violated. "If we believe state law has been violated, we're willing to go to court to stop the mailing, and try to get restitution for families who may have paid money to the Federal Record Service."

Lieberman's office learned of the mailing from a reporter for WTIC radio in Hartford, whose wife received a copy shortly after their baby was born.

The Social Security Administration in Washington has also issued a notice to consumers that they provide the same service as the Federal Record Service for free.

"Connecticut's own P.T. Barnum once said, 'there's a sucker born every minute,'" Lieberman said. "The Federal Record Service seems to have taken Barnum to heart, by mailing to families with newborn infants. I know there's a lot of fraud out in the real world, but it's sad to think that the con-artists are stooping to take advantage of babies. They aren't even out of diapers , and they've already lost ten bucks to the Federal Record Service."

-- 30 --

FEDERAL RECORD SERVICE
2021 L STREET, SUITE 250
WASHINGTON, D.C. 20036

BIRTH RECORDS DIVISION

Important Notice:
New Federal Legislation may require that all dependents be listed by Social Security Number on your income tax return.

County records indicate that your newborn child has not been registered with the Social Security Administration. It is important that your child be issued a Social Security Card immediately.

Federal Record Service, a non-government agency, will handle the paperwork and clerical details for you.

If you will fill out the information requested right now on the enclosed form and return it with a check or money order for $10, we will begin to process your application immediately. The fee is our assistance charge.

If you have other dependents who do not have Social Security numbers, we will process their applications at the additional fee of $5 for each extra applicant.

You will receive a confirmation that your application is being processed in two weeks. A Social Security Card and number registered in your childs name will be mailed to you within seven weeks.

Please return the enclosed form immediately with a check or money order made payable to:

Federal Record Service

USE REVERSE SIDE FIRST. This side to be used for additional dependents only (optional)

	NAME TO BE SHOWN ON CARD	First			Middle		Last			
	DATE OF BIRTH	MONTH	DAY	YEAR	SEX 7	☐ MALE ☐ FEMALE	PLB 8	PLACE OF BIRTH	CITY (Do not abbreviate)	STATE OR FOREIGN COUNTRY (Do not abbreviate)
B	NAME TO BE SHOWN ON CARD	First			Middle					
	DATE OF BIRTH	MONTH	DAY	YEAR	SEX 7	☐ MALE ☐ FEMALE	PLB 8	PLACE OF BIRTH	CITY (Do not abbreviate)	[illegible]
C	NAME TO BE SHOWN ON CARD	First			Middle		Last			
	DATE OF BIRTH	MONTH	DAY	YEAR	SEX 7	☐ MALE ☐ FEMALE	PLB 8	PLACE OF BIRTH	CITY (Do not abbreviate)	STATE OR FOREIGN COUNTRY (Do not abbreviate)

☐ Check here to register additional dependents and enclose check or money order made payable to "FEDERAL RECORD SERVICE" in the following amount: $10 for first applicant plus $5 for each additional applicant

PRINT LEGIBLY. Enclose check or money order payable to "FEDERAL RECORD SERVICE"

NNA	NAME TO BE SHOWN ON CARD	First		Middle		Last			
NAB 1	FULL NAME AT BIRTH (IF OTHER THAN ABOVE)	First		Middle		Last	OTHER NAME(S) USED		
ONA	MAILING ADDRESS	(Street/Apt. No., P.O. Box, Rural Route No.)							
STT	CITY	STATE		ZIP CODE					
4	DATE OF BIRTH	MONTH	DAY	YEAR	SEX 7	☐ MALE ☐ FEMALE	PLB 8	PLACE OF BIRTH	CITY (Do not abbreviate)	STATE OR FOREIGN COUNTRY (Do not abbreviate)
	MOTHER'S NAME AT HER BIRTH First	Middle	Last (her maiden name)		FATHER'S NAME First		Middle		Last
10	Telephone number	DON 11	TODAY'S DATE	MONTH	DAY	YEAR	13	YOUR SIGNATURE		

☐ Check here to register [illegible] and [illegible] only. SEE REVERSE SIDE TO REGISTER ADDITIONAL DEPENDENTS

RECORD SERVICE
REET, SUITE 250
TON, D.C. 20036

MRS STEPHEN WINER
[redacted]

SWEEPSTAKES FOR CHARITY

A Report To:

Joseph I. Lieberman
Attorney General

Mary M. Heslin
Commissioner of Consumer Protection

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For the past two years the Public Charities Unit has been receiving complaints and inquiries about sweepstakes run by charities. Starting in late October and continuing to the present, the number of complaints and inquiries has grown dramatically. Our contact with other states reveals that they are having the same experience. Indeed, at least in Connecticut, the volume of complaints and inquiries about sweepstakes for charity exceeds that which has been received about any other charity-related subject. To respond to the consumers who have contacted the state and to help inform the public about the nature of the sweepstakes operations, the following report has been prepared.

Public Charities Unit
December 5, 1988

Many consumers in Connecticut and nationwide have recently received a letter from Attorney Robert R. Stone. The letter begins:

> I have been retained by the Cancer Fund of America (CFA), to notify winning contestants of the results of the organization's sweepstakes campaign. This letter is notification that you have won a cash prize in the CFA $5,000.00 Sweepstakes.

Enclosed with the cover letter is a "Winners Release Form Prepared for Use in Connecticut" which requires, among other things, that the consumer respond to claim the prize at the $5,000.00 level:

> To claim my prize and be entered in the $50,000.00 sweepstakes, I have enclosed (check one) and signed my name agreeing to the above terms:
>
> ___ A personal check or cash in the amount of $5 or more to help in the fight against cancer (make check payable to Cancer Fund of America), or
>
> ___ Although I know this is a charity, I cannot afford to contribute at this time.
>
> _____ _____
> Date Consumer's signature

Persons receiving the Stone letter have been solicited by one of the eleven charities and at least one for-profit company under contract with Watson & Hughey, a direct mail fundraising company located in Alexandria, Virginia.[1/] Watson & Hughey has put together numerous "Sweepstakes" promotions for a host of charities over the past several years, including nationally:

Adopt a Pet (Soliciting as the National Animal Protection Fund)
American Heart Disease Prevention Foundation
Cancer Fund of America

1/ American Institute for Cancer Research and perhaps other charities are also under contract with Watson & Hughey. However, we have no indication that a sweepstakes is being promoted on their behalf.

Coalition to Stop Government Waste
Committee to Stop Government Waste
The Little Orphans, Inc.
National Emergency Medicine Association (Soliciting as National Heart Research)
Project Cure, Inc. (Soliciting as The Center for Alternative Cancer Research)
United Cancer Council
Walker Cancer Institute
Pacific West Cancer Fund

A similar Sweepstakes has also been conducted for the Social Security Protection Bureau, a for-profit organization.

With the exception of The Little Orphans each of these organizations has had mailings sent to Connecticut consumers.

We will summarize a few of the various "Sweepstakes" promotions of which we have become aware.

THE CASH BONANZA SWEEPSTAKES

Letters sent out on behalf of the American Heart Disease Prevention Foundation have stated:

> This letter will serve as legal notification that the three individuals named in the Cash Disbursement Box below are grand Finalists in the $5,000.00 Cash Bonanza Sweepstakes.
>
> One of the individuals named below is the Third Round Finalist and is a guaranteed winner of a $1,000.00 certified bank check.
>
> The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about March 1, 1989.

Inevitably, in this version of the Sweepstakes stratagem, the recipient of the letter finds his or her name listed as a "Grand Finalist" or "Guaranteed Winner" in a "$5,000.00 'Cash Bonanza Sweepstakes'". To qualify to win, the consumer must send a personal check for $7.00 payable to the charity or a blank check with the word "VOID" written across it. A careful reading of the rules set out in fine print on the back of the letter reveals that there is no prize valued at $5,000; the total value of all prizes is $5,000. One winner will receive $1,000, 236 winners will split the next $1,000, and the remaining $3,000 will be divided among all other "winners." The minimum prize check is 10 cents. Although the recipient is named in the "Cash Disbursement

Box" the back of the letter explains that the odds of his winning a third round award of $1,000 is one in 200,000, not one in three as it might first appear.

Similar "Cash Bonanza Sweepstakes" letters were sent to Connecticut consumers by the Social Security Protection Bureau, National Emergency Medicine Association (for its "National Heart Research" project) and the Cancer Fund of America. Over the past three years similar "Instant Cash" and "Irish Sweepstakes" promotions have been received by people in this state.

THE $250,000 SWEEPSTAKES

Another previous promotion, the "$250,000 Sweepstakes" promised consumers a "Free Surprise Gift" or "Free Mystery Gift" if the recipient would send in a check for $10. Consumers were informed that they had already "won at least one gift from Category A" which included a Nikon 35mm Camera, $1,000.00 Cash or a Genuine Brazilian Emerald. The fine print on the back of this type of letter reveals that the $250,000 Sweepstakes is broken down into segments, with only $25,000.00 being the total value of the particular segment in which the recipient is registered. Two Nikon cameras and one check of $1,000.00 will be disbursed, along with 200,000 Brazilian Emeralds of .03 to .33 ct. The "Mystery Gift" received by consumers are bookmarks, and packets of flower or vegetable seeds.

It is clear that, the specifics of the promotion may differ but the general approach and theme remain the same. Samples of various solicitation letters are attached as Exhibit A.

Why do Charities Choose to Run a Sweepstakes and How Does It Work?

Watson & Hughey and the organizations that hire them know that a Sweepstakes, with its lure of prizes, gives a donor an added incentive to contribute, whether for the first time or as a repeat donor. They know that people often think they are getting something for nothing or that they have a chance to win a substantial prize by contributing a small donation. Sweepstakes promotions link charitable donations with these natural human impulses by using appealing mailpieces and sending them nationwide to people who are targeted by mailing list companies as good prospects for a donation.

Typically, the charitable organizations sign a multi-year contract with Watson & Hughey, a direct mail company located at 510 King Street in Alexandria, Virginia. Two associated corporations owned by partners Jerry Watson and "Chat" (Byron Chatworth) Hughey called Washington List Co. and Capitol List

Co., provide computerized lists of potential donors for use in mailings. Several charitable organizations may participate in a particular sweepstakes promotion or a group of similar promotions; hence, consumers may receive nearly identical letters from several organizations. Despite the street address of the charity, all claim forms and contribution envelopes return to a central common "caging" operation in Washington, DC at zipcode "20069" or a similar operation in the Midwest where they are processed by a mailopening company.

In sum, the charity is not directly involved in the solicitation but in essence "lends its name" to the professional fundraising organization and waits for the result.

As noted earlier, the "prize" is not always what it appears to be. Consumers in Connecticut and other states have complained that their "cash prize" amounted to a few cents and not the large sum the front of the mailing led them to hope for. One Connecticut consumer was informed by the United Cancer Council in the spring of 1987 that he won a "First Round Prize" in the "$5,000 'Instant Cash' Sweepstakes." The letter said he would collect the prize shortly after September 15, 1987. Finally in mid January 1988, after complaining to the Attorney General's office and the U.S. Postal Inspector, he received his prize: a check for 9 cents.

In 1987 the Public Charities Unit requested information from Watson & Hughey about how the "$5,000 Irish Sweepstakes" and the "$5,000 'Instant Cash' Sweepstakes" winners are selected and how the prizes are divided up. What is clear is that the winners are preselected, that no single person will win the total dollar amount of the Sweepstakes and that many different sweepstakes promotions (identified on the letter by codes like F3, AI) are being run at one time. Consumers should realistically not expect a major prize under the current rules of these promotions.

Consumers undaunted by the gimmickry of the Sweepstakes promotions, who wish to give money to organizations using this method of soliciting, will want to know more about the promotional methods, the cost of generating contributions to the charitable organization and the charitable organizations themselves. How are the donations generated, how is the money split between the fundraiser and the charity and how does the charity use the percentage of the "take" that it finally gets?

How Much Does the Charitable Organization Get Out of Each Dollar Donated?

Charities which solicit contributions in Connecticut are required by law to register with the Public Charities Unit, a joint program of the Department of Consumer Protection and the Office of the Attorney General. Unless exempt, these organizations must file a registration form and a yearly financial report. 2/

The annual report must contain a copy of the organization's IRS Return (990 or 990 PF Form) which lists its sources of income and the purposes for which it spent money. Expenses are categorized as either program services, fundraising, or management. "Program Services" is the amount spent by the organization to fulfill its charitable purpose. It is supposed to disclose how much the charity spent to directly benefit the public good, as opposed to how much it spent to raise funds and take care of overhead. However, as we shall see, what is a program service and what is fundraising is sometimes in the eye of the beholder.

Appendix B of this report lists each charity known to be using Watson & Hughey as its professional fundraising firm using sweepstakes type mailings, its purpose, the revenue raised in the last year for which an annual report is available, the total of its fundraising costs and management expressed as a portion of each dollar donated, and the amount devoted to its "program services."

For example, the Appendix indicates that: the American Heart Disease Prevention Foundation, located in Montclair, New Jersey, lists its 1987 revenue at $1,262.266. Its management and fundraising costs for that year totalled $808,137 or 64 cents out of every dollar raised. The "program services" rendered to the public by the American Heart Disease Prevention Foundation include one $35,000 research grant, no direct services (such as patient counseling, transportation, provision of hospital equipment, etc.) and educational expenses totalling $619,191.00, with a total deficit of $200,062.

A comment about what is meant by "educational expenses" is important. American Heart Disease Prevention Foundation (as well as many other charities, including the ones discussed in this report) includes some of its direct mail costs as part of its "program service" to the public, which indicates that it believes

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2/ Those organizations which are exempt include organizations normally receiving less than $25,000 in contributions annually who do not have paid staff conducting solicitations, religious organizations, educational institutions, nonprofit hospitals, and governmental units.

its "Sweepstakes" promotion letters are "educational" in nature. An examination of the mailpieces sent out on behalf of this organization shows that by far the thrust of the letters appears to be on the Sweepstakes and the donation. However, a paragraph on the front or back of its mailings may provide basic "common sense" health tips or some statistics about heart disease. To illustrate, a "postscript" from one of its Sweepstakes letters is quoted below:

> P.S. Remember, follow these Guidelines to help prevent heart disease.
> 1. Eat a variety of foods
> 2. Maintain ideal weight
> 3. Avoid too much fat, saturated fat and cholesterol
> 4. Eat food with adequate starch and fiber
> 5. Avoid too much sugar
> 6. Avoid too much sodium
> 7. If you drink alcohol, do so in moderation.

Similarly, on a $5,000 "Instant Cash" Sweepstakes letter sent out by the United Cancer Council the educational portion consists of a box on the back of the letter containing "9 Cancer Warning Signals" in 6 point type stating:

9 CANCER WARNING SIGNALS

Alertness to one of the following nine warning signs and regular physical examinations give you the greatest protection against cancer. You owe it to your family and to yourself to practice prevention and early detection.

1. Unusual bleeding or discharge from anywhere.
2. A lump or thickening in the breast or anywhere.
3. Any sore that does not heal.
4. Persistent change in bowel habits or shape of stool.
5. Pink or red urine.
6. Persistent hoarseness, cough or sore throat.
7. Persistent indigestion, difficulty in swallowing.
8. Progressive changes in size or color or feeling in a wart or mole.
9. Unexplained weight loss or prolonged fever.

What a potential donor may not realize is that in many cases the Sweepstakes mailing he or she receives is the major or total educational program of the organization. In the case of the American Heart Disease Prevention Foundation, the charity reports that out of every dollar it spent in 1987, 42 cents was used to educate the public by way of the sweepstakes mailings. When the 42 cents is added to the 48 cents on the dollar the charity said it spent on fundraising, it means that the charity spent 90 cents on the dollar to do the sweepstakes program. About two cents on the dollar was used to make a grant to another organization and the rest was spent on overhead.

Information about the individual charities in Appendix B indicates whether a portion of the solicitation costs have been treated as educational by other Watson & Hughey organizations. By studying the sample letters in Appendix A a consumer can personally evaluate the educational value of the information on health or other subject matters related to the organization's stated purpose and decide whether it warrants his or her financial support.

The Watson & Hughey Designed Sweepstakes is Not Just for Charity

According to a report issued by the Better Business Bureau's office in Washington, D.C. the Social Security Protection Bureau, one of the organizations using the "$5000 - Cash Bonanza Sweepstakes" promotion, is a for-profit company founded and run by Jerry Watson and Chat Hughey located at 655 15th St. N.W., Washington, D.C. This organization offers services to its subscribers which the B.B.B. considers of questionable value.

For a fee of $7 the subscriber is told he will get "valuable benefits" including a "Personal Gold Embossed Social Security Card," a "Personal Statement of Your Social Security Record," a "Social Security Guide to Retirement," "Representation in Washington, D.C. to Protect Your Social Security Benefits" and $500 reward for information leading to the arrest of persons stealing Social Security cards or misusing a Social Security number or trying to wrongfully collect benefits. The B.B.B. points out that a Social Security Card (albeit not gold embossed) is provided free by the government, and that the "Personal Statement" is also provided free of charge upon application. The Social Security Protection Bureau simply sends subscribers a copy of the government's own application form and has the individual fill it out and send it in. According to the B.B.B. it has had complaints from subscribers who believe that this organization is a branch of government or who have not received the advertised materials. The BBB has assisted consumers in obtaining the advertised materials or refunds of their $7 fee. The B.B.B. report is attached as Appendix C.

Consumers receiving solicitations from the Social Security Protection Bureau should keep in mind that this is not a registered charity, but a for-profit organization providing services that, at least in part, they could get from the U.S. government at no charge.

Current Solicitation Signed by Robert R. Stone

The use of an attorney's name in conjunction with the most recent $5,000 Sweepstakes campaigns produced by Watson & Hughey on

behalf of the Cancer Fund of America, the Walker Cancer Institute and the Pacific West Cancer Fund is merely a new wrinkle on the face of the Sweepstakes gimmick. The fact that an attorney's signature is on the forms does not change the substance of the promotion. The odds of winning are the same; the role of fundraiser and charity are unaltered; and the charity's use of the proceeds may still be evaluated based on its past performance.

There is a serious question as to the attorney's involvement in the actual receipt of "release forms." Notwithstanding the use of his office address, all mail returns to the same Washington, DC zipcode employed in past solicitations. However, the signature of an attorney may have the effect of enhancing the importance and legitimacy of the letter in the eyes of the recipient.

Factors to Consider In Making a Charitable Donation

Consumers considering making a donation to any charitable organization, including those described here, may wish to consider several factors before making a gift. These include the organization's stated charitable purpose, the nature and extent of its program services, the costs it incurs in fundraising, the cost of its internal administration and management and the percentage of any gift that will in fact go to accomplish the charitable purpose the consumer wishes to support. Newly formed charities or those espousing less well known, or less popular causes may experience higher fundraising costs in their "start up" phase, or in some cases, throughout their existence -- factors the donor may want to consider.

In evaluating any organization a potential donor may find it helpful to contact the Public Charities Unit for copies of its annual financial reports. Organizations exempted from registration may be able to provide sufficient financial data themselves to answer these questions. However financial data alone may not tell the whole story about a charity. What really matters, is what the organization accomplished to benefit society.

APPENDIX A

SAMPLE SOLICITATIONS

Pacific West Cancer Fund $5000 Sweepstakes Letter

ROBERT R. STONE
ATTORNEY-AT-LAW
918 F STREET N.W. SUITE 412
WASHINGTON DC 20069

October 17, 1988

Ms. Alice K Reed
RR 1
Willimantic, CT 06226

Dear Ms. Reed,

I have been retained by the Pacific West Cancer Fund (PWCF), to notify winning contestants of the results of the organization's sweepstakes campaigns.

This letter is notification that you have won a cash prize in the PWCF $5000.00 Sweepstakes. PWCF is very pleased you are a winner and shall look forward to you returning the enclosed Winner's Release Form so your prize check can be sent to you by return mail.

Please read the enclosed Winner's Release form - then sign and return it to me at once.

Also, as a winner in the $5000.00 Sweepstakes by returning the enclosed form, you will automatically be entered in the All American $50,000.00 Sweepstakes that will be drawn in December.

PWCF is very happy that you have won a prize. You are not obligated to make a contribution to PWCF in order to claim your cash prize, but since this is a "charity" sweepstakes, we do hope that as a cash prize winner you will wish to contribute at least $5.

Regardless of whether you contribute -- your sweepstakes cash prize remains yours to keep no matter what.

Let me know if you have any questions and I will anxiously await the return of the enclosed Winner's Release Form.

Sincerely,

Robert R Stone

Robert R. Stone
Attorney

P.S. Please complete and return the enclosed Winner's Release Form at your earliest convenience. Call (801) 392-9462 with any questions you may have.

PRAJOL

Pacific West Cancer Fund $5000 Sweepstakes Enclosure pl

WINNERS RELEASE FORM
Prepared For Use In Connecticut

PRIZE WINNER

0000585406 1812S 85

Ms. Alice K Reed
RR 1
Willimantic, CT 06226

Please Return No Later Than
November 23, 1988

By signing below, I state that I am eligible for the cash prize I have won.

1. I am a U.S. resident, 18 years of age or older.

2. I am not an employee of the Pacific West Cancer Fund, its suppliers or advertising agency.

3. I agree to be responsible for any taxes that may be due on the cash prize I have won.

4. Check one:

/__/ I hereby give permission to use my name for publicity purposes in return for the cash prize I have won.

/__/ No, I'm publicity shy, but as a cash winner I am willing to let you use my name or initials in connection with contest publicity, according to arrangements I will make later with your office.

5. To claim my prize and be entered in the $50,000.00 sweepstakes, I have enclosed (check one) and signed my name agreeing to the above terms:

/__/ A personal check or cash in the amount of $5 or more to help in the fight against cancer (make check payable to Pacific West Cancer Fund), or

/__/ Although I know this is a charity, I cannot afford to contribute at this time.

Date

Signature of Ms. Alice K Reed

P8AJOD

ROBERT R. STONE—ATTORNEY-AT-LAW
918 F STREET N.W. SUITE 412—WASHINGTON, DC 20069

Pacific West Cancer Fund $5000 Sweepstakes Enclosure p2

$50,000 SWEEPSTAKES
OFFICIAL RULES

1. To enter complete the official entry/contribution (or order) form and return it in the appropriate envelope provided, with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 15, 1988. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.
2. Winners will be determined in random drawings on or before December 30, 1988, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date on notification. No substitutions for prizes except as may be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners' names and likenesses for publicity purposes without additional compensation.
3. Approximate retail value of the prizes are as follows: One Grand (up to a range of $16,233), one First (up to a range of $3500), two Second (up to a range of $1124 each), three Third (up to a range of $570 each), 5,000 Fourth ($5.45 each).
4. The $50,000 Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 100 million letters. Winners will have their choice of any prize offered at level won.
5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S., 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising and production agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.
6. For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1988 to: $50,000 Sweepstakes Winners, P.O. Box 650, Linwell, IN 46199.

$5,000.00 SWEEPSTAKES
OFFICIAL RULES

1. How to enter—Return the official entry form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win.
2. Drawing—Winners are selected in a random drawing by an independent agency. Each entry has an equal chance to win the prize. The winner will be drawn at random from all entries received as the result of this promotion. Winners will be selected approximately 45 days after deadline date by an independent accountant whose decisions are final. You do not have to be present to win. The winner's checks will be sent after the drawing date by return mail after full compliance with official rules.
3. Prizes—The total value of the Sweepstakes is $5,000.00. The following prizes are offered: 5 checks—$1000; 5 checks—$500; 10 checks—$25; 100 checks—$5; 9,881 checks—$1; and the remaining $3,000 will be split equally between all other individuals who return the Winners Release Form and follow these rules. However, the minimum prize will be ten cents.
4. Who is eligible to enter—The Sweepstakes is open to residents of the United States, 18 years and older, and its possessions. Sponsors of the Sweepstakes, their families, agents, vendors and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release from liability and advertising consent. Mutilated or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified.
5. General—This sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Offer void where prohibited by law. All federal, state and local regulations apply. Taxes on all prizes are the responsibility of winners. This promotion is specifically void in the states of Florida, North Carolina, Vermont and Maryland.
6. Sweepstakes ends—The deadline for entering the sweepstakes is December 30, 1988. Postmark determines date.
7. Winners List—For the names of the major prize winners, write to: Sweepstakes Winner List, P.O. Box 19533, Alexandria, VA 22320. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes.
8. Odds of winning are determined by the number of official entry forms received. Not responsible for lost, late or misdirected mail. Prize claim coupons will not be honored if mutilated, altered, tampered, or stolen or not received through legitimate channels.

A copy of Pacific West Cancer Fund's latest Annual Report may be obtained by writing to Pacific West Cancer Fund, 1111 3rd Ave., Suite 700, Seattle, WA 98101.

Project CURE Inc. $5000 Instant Cash Sweepstakes Letter p1

INSTANT CASH HOTLINE
201-967-5722

CENTER FOR ALTERNATIVE CANCER RESEARCH

Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

Dear Ogden W Dukeley,

Congratulations! You're one of the First Round prize winners in the $5000.00 "Instant Cash" Sweepstakes.

Your First Round prize check payable to:

OGDEN W DUKELEY

will be sent to you by return mail after the drawing on or about June 30, 1987 when you send us the enclosed First Round Winners Prize Claim Coupon in the reply envelope I've included with my letter.

Plus, as a First Round winner you are now eligible to win a brand new 1987 Chevy Camero and over 5000 other prizes in the Second Round $50,000.00 Sweepstakes. (See official rules for details).

To qualify for the Second Round prizes, simply complete and return the enclosed Official Sweepstakes Entry Coupons along with your suggested contribution of $5 to help in our fight against cancer.

As you know cancer is one of the leading causes of death in America today.

That's why Center for Alternative Cancer Research has been working to get thousands of opinion leaders and

over, please

scientists to take a close look at new promising cancer research programs -- programs which might otherwise fall by the wayside.

But none of our important work can be continued without your help and the help of our other friends.

During the past several months I have reviewed many promising treatments for cancer which our government will not evaluate. I have spoken to hundreds of cancer patients who have responded well to these alternative cancer management programs. It is only through your efforts that this information gets to members of Congress and the general public.

Unfortunately, we simply don't have the funds to carry out these programs.

That's why I'm hoping you will send us your check today for $5.

You're already a First Round prize winner in the $5,000 "Instant Cash" Sweepstakes. The exact amount of your cash prize will be determined in a random drawing. And no contribution is required to enter the Second Round $50,000.00 Sweepstakes. All you have to do is return the enclosed Official Sweepstakes Entry Coupons.

However, if you'll send us your contribution for $5 or more along with your Coupons, I'll include a special free "Mystery Gift" along with your First Round prize check. It's a special gift I know you'll enjoy.

So send your Coupons and your $5 check today.

. . . and good luck!

Sincerely,

Bob DeBragga

Bob DeBragga
Executive Director

P.S. If you only make one contribution to fight cancer each year, please make your gift now and I'll send you a free Mystery Gift along with your First Round prize check.

Project CURE Inc. Enclosure $5000 Instant Cash Sweepstakes p1

SECOND ROUND WINNERS PRIZE
$50,000.00 SWEEPSTAKES AR

Official Entry Form

No Contribution Necessary

Six tickets for a suggested $5.00 contribution

A $5.00 contribution to help fight cancer included with your six coupons *guarantees* you win a special "MYSTERY GIFT".

Please Make check payable to: CENTER FOR ALTERNATIVE CANCER RESEARCH

Proceeds will be used to fund educational projects to broaden the scope of cancer research across the United States.

Center for Alternative Cancer Research AR
$50,000 Sweepstakes 40BCC1
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. Six tickets for a suggested $5.00 contribution

Center for Alternative Cancer Research AR
40BCC1
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. Six tickets for a suggested $5.00 contribution

Center for Alternative Cancer Research AR
40BCC1
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. Six tickets for a suggested $5.00 contribution

Center for Alternative Cancer Research AR
40BCC1
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. Six tickets for a suggested $5.00 contribution

Center for Alternative Cancer Research AR
40BCC1
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. Six tickets for a suggested $5.00 contribution

You must return this portion to claim your prize

FIRST ROUND WINNERS PRIZE
$5,000 INSTANT CASH SWEEPSTAKES

Official Claim Coupon

CD
40BCC1

PRIZE ISSUED TO:
Ogden W Dukeley
21 Eastview Dr
Windsor, CT 06095

Check will be payable to: OGDEN W DUKELEY

Please make any necessary corrections.

CENTER FOR ALTERNATIVE CANCER RESEARCH —a program of Project CURE
2020 K Street, NW, Suite 350, Washington, DC 20006

To claim your First Round Prize and qualify for BIG Second Round prizes, mail all coupons back to us in the reply envelope. Your contribution for $5 to Center for Alternative Cancer Research guarantees you get a special Mystery Gift along with your prize check. Remember the exact amount of your prize check will be determined in a random drawing. The prize check will be mailed after the drawing date on or about JUNE 30, 1987.

Project CURE Inc. $5000 Instant Cash Sweepstakes Enclosure p2

CACR is not a research laboratory nor do we conduct research. For a copy of our report, write to Executive Director, CACR a program of Project CURE, Washington, D.C. 20069. New York residents may obtain a report from their state by writing the Office of Charities, Charities Registration, Department of State, 162 Washington Ave., Albany, New York, 12231. MICS 9663.

SECOND ROUND $50,000 SWEEPSTAKES-AR
OFFICIAL RULES

1. To enter complete the official entry contribution (or order) form and return it in the appropriate envelope provided, with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 15, 1988. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.

2. Winners will be determined in random drawings on or before December 30, 1988, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date on notification. No substitutions for prizes except as may be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners' names and likenesses for publicity purposes without additional compensation.

3. Approximate retail value of the prizes are as follows: One Grand (up to a range of $16,233); one First (up to a range of $3500); two Second (up to a range of $1124 each); three Third (up to a range of $570 each); 5,000 Fourth ($5.45 each).

4. The $50,000 Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 100 million letters. Winners will have their choice of any prize offered at level won.

5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S. 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising and production agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.

6. For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1988 to: $50,000 Sweepstakes Winners, P.O. Box 659, Lowell, IN 46399.

$50,000 SWEEPSTAKES-AR
Prize Structure

1 Grand Prize—Winner's Choice of One:
1) $10,000 Cash; 2) Hawaiian Vacation for four for two weeks including round trip coach airfare, hotel (double occupancy) and transfers; 3) 1987 Dodge Caravan; 4) AMF Catamaran; 5) Winnebago Motor Home; 6) General Electric Kitchen including range, microwave oven, refrigerator/freezer, air conditioner, dishwasher, washing machine, dryer, trash compactor, plus $500 remodeling money; 7) 1987 Chevy Camaro; 8) Chris Craft 17' Motor Boat; 9) 1987 Pontiac Fiero; 10) Three week trip for two to Europe, stopping in Paris and London, including round trip coach airfare, and hotel accommodations (double occupancy).

1 First Prize—Winner's Choice of One:
1) RCA Rear Projection Television; 2) Marcy Home Gym; 3) AT&T Cellular Telephone; 4) Kimball Spinet Piano; 5) Trip for two (4 days/3 nights) to Paradise Island including round trip coach airfare and hotel (double occupancy) and transfers.

2 Second Prizes—Winner's Choice of One:
1) General Motor Scooter; 2) General Electric VCR plus 19" Color Television; 3) AMF Sailboard; 4) General Electric Programmable Microwave Oven; 5) Fisher Stereo System including tuner, turntable, two speakers and cassette player.

3 Third Prizes—Winner's Choice of One:
1) Nikon 35MM camera; 2) Lane Recliner Chair; 3) Vitamaster Exercycle; 4) His and Her Seiko Watches; 5) Charmglow Gas Barbeque.

5,000 Fourth Prizes—Unisex Goldtone Fashion Chain.

Estimated Retail Value $50,941

$1,000.00 SWEEPSTAKES-CD
Official Rules

1. How to Enter—return the official entry form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win.

2. Drawing—An independent agency selects the winner. Each entry has an equal chance to win the prize. The winner will be drawn at random from all entries received as the result of this promotion. Winners will be selected approximately 45 days after deadline date by an independent accountant whose decisions are final. You do not have to be present to win. The winner's check will be sent after the drawing date by return mail after full compliance with official rules.

3. Prizes—The total value of the Sweepstakes is $5,000. Winners may choose between $5,000.00 in cash, gold diamonds, furs or vacations. The winner may choose any of the prizes offered. The value of the one grand prize will be worth $5,000.00 on the day of the selection by the winner.

4. Who is eligible to enter—The sweepstakes is open to residents of the United States, 18 years and older, and its possessions. Sponsors of the Sweepstakes, their families, agents, vendors and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release from liability and advertising consent. Mutilated or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified.

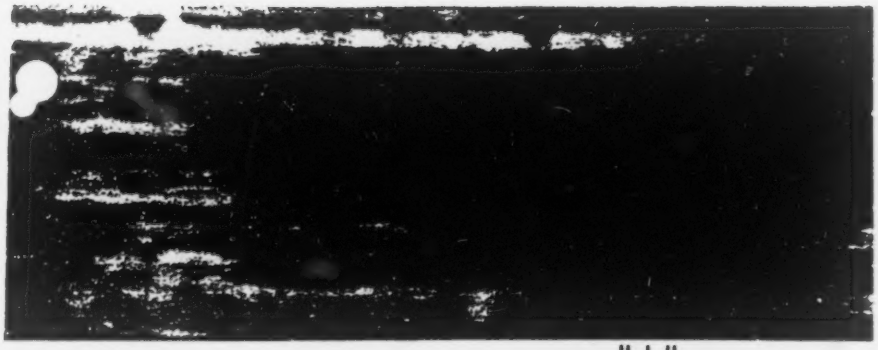
5. General—This sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Offer void where prohibited by law. All federal, state and local regulations apply. Taxes on all prizes are the responsibility of winners.

6. Sweepstakes Ends—The deadline for entering the sweepstakes is May 16, 1987. Postmark determines date.

7. Winners—For the names of major prize winners, write to Sweepstakes Winner List, Department-CD, P.O. Box 19633, Alexandria, VA 23320. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes.

8. Odds of winning are determined by the number of official entry forms received. Not responsible for lost, late or misdirected mail. Prize claim coupons will not be honored if mutilated, altered, tampered, or stolen or not received through legitimate channels.

P6C0953

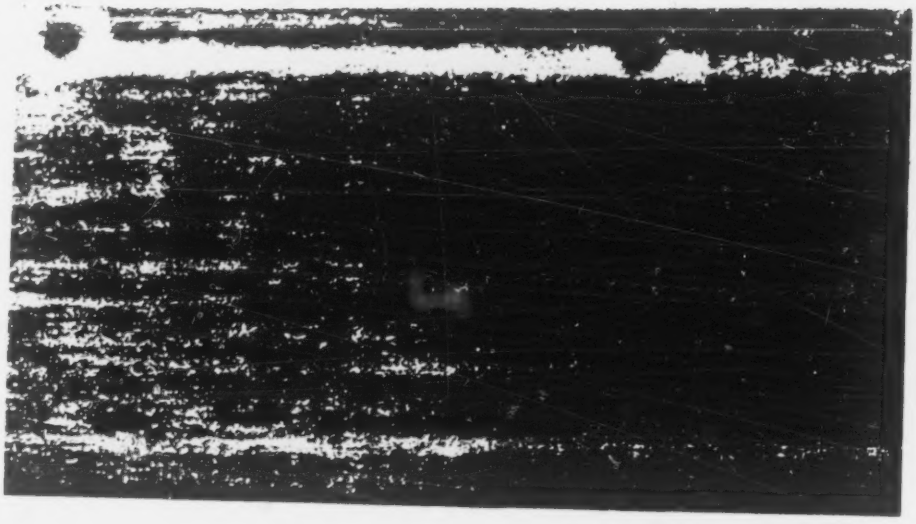


Place Stamp Here

$5,000.00 CASH BONANZA SWEEPS

—Redemption Office—

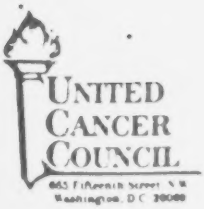
℅ AMERICAN HEART DISEASE
PREVENTION FOUNDATION
Washington, D.C. 20069-1046



American Heart Disease Prevention Foundation
Redemption Envelope Back Side

7 GUIDELINES TO HELP PREVENT HEART DISEASE

1. Eat a variety of foods
2. Maintain ideal weight
3. Avoid too much fat, saturated fat and cholesterol
4. Eat foods with adequate starch and fiber
5. Avoid too much sugar
6. Avoid too much sodium
7. If you drink alcohol, do so in moderation



(3)

INSTANT CASH HOTLINE
202-939-8563

Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110

Dear Mrs. Karagheusian,

Congratulations! You're one of the First Round prize winners in the $5,000.00 "Instant Cash" Sweepstakes.

Your First Round prize check payable to:
MRS. GERARD KARAGHEUSIAN
will be sent to you by return mail after the drawing on or about February 17, 1987 when you send us the enclosed First Round Winners Prize Claim Coupon in the reply envelope I've included with my letter.

Plus, as a First Round winner you are now eligible to win a Chrysler LeBaron and over 2000 other prizes in the Second Round $50,000.00 Sweepstakes (See official rules for details).

To qualify for the Second Round prizes, simply complete and return the enclosed Official Sweepstakes Entry Coupons along with your suggested contribution of $5 to help in our fight against cancer.

The UCC and its regional members have been instrumental in promoting, encouraging, and assisting in programs of direct service to cancer patients, public and professional education with regard to cancer prevention, and research to find the causes and cures of cancer.

As I write to you today, I have on my desk many requests for funds for research and educational projects -- projects which have the potential to save

over, please

tens of thousands of lives.

Unfortunately, we simply don't have the funds to carry out these projects.

That's why I'm hoping you will send us your check today for $5.

You're already a First Round prize winner in the $5,000.00 "Instant Cash" Sweepstakes. The exact amount of your cash prize will be determined in a random drawing. And no contribution is required to enter the Second Round $50,000.00 Sweepstakes. All you have to do is return the enclosed Official Sweepstakes Entry Coupons.

However, if you'll send us your contribution for $5 or more along with your Coupons, I'll include a special free "Mystery Gift" along with your First Round prize check. It's a special gift I know you'll enjoy.

So send your Coupons and your $5 check today.

. . . and good luck!

Sincerely,

Randall B. Grove

Randall B. Grove
Executive Director

P.S. If you only make one contribution to fight cancer each year, please make your gift now and I'll send you a free Mystery Gift along with your First Round prize check.

566-2244

9 CANCER WARNING SIGNALS

Attention to one of the following nine warning signs and regular physical examinations give you the greatest protection against cancer.

You owe it to your family and to yourself to practice prevention and early detection.

1. Unusual bleeding or discharge from anywhere
2. A lump or thickening in the breast or anywhere
3. Any sore that does not heal
4. Persistent change in bowel habits or shape of stool
5. Pink or red urine
6. Persistent hoarseness, cough or sore throat
7. Persistent indigestion, difficulty in swallowing
8. Progressive changes in size or color or feeling in a wart or mole
9. Unexplained weight loss or prolonged fever

United Cancer Council $5000 Instant Cash Sweepstakes
Enclosure p1

SECOND ROUND WINNERS PRIZE
$50,000.00 SWEEPSTAKES AR
Official Entry Form

NO CONTRIBUTION NECESSARY

Six tickets for a suggested $5.00 contribution

A $5.00 contribution to help fight cancer included with your six coupons guarantees you a free special "MYSTERY GIFT".

Please Make check payable to: UNITED CANCER COUNCIL

Proceeds will be used to support programs of direct service to cancer patients, public and professional education with regard to cancer prevention and research to find the causes and cures of cancer.

United Cancer Council $50,000.00 Sweepstakes AR
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110
☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. 508CC
Six tickets for a suggested $5.00 contribution

United Cancer Council $50,000.00 Sweepstakes AR
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110
☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. 508CC
Six tickets for a suggested $5.00 contribution

United Cancer Council $50,000.00 Sweepstakes AR
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110
☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. 508CC
Six tickets for a suggested $5.00 contribution

United Cancer Council $50,000.00 Sweepstakes AR
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110
☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. 508CC
Six tickets for a suggested $5.00 contribution

United Cancer Council $50,000.00 Sweepstakes AR
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110
☐ NO, I can't contribute right now. But enter me in the Sweepstakes anyway. 508CC
Six tickets for a suggested $5.00 contribution

FIRST ROUND WINNERS PRIZE
$5,000.00 INSTANT CASH SWEEPSTAKES
Official Claim Coupon

508CC BI

PRIZE ISSUED TO:
Mrs. Gerard Karagheusian
74 Wolcott Rd
West Hartford, CT 06110

Check will be payable to
MRS. GERARD KARAGHEUSIAN
United Cancer Council
665 Fifteenth Street, Washington, DC 20069

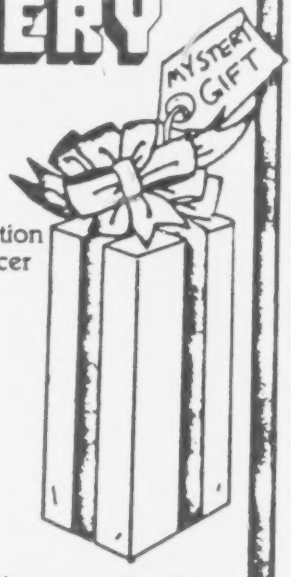
Please make any necessary corrections and return in the reply envelope provided.

0021688

To claim your First Round Prize and qualify for BIG Second Round prizes, mail all coupons back to us in the reply envelope. Your contribution for $5 to United Cancer Council guarantees you get a special Mystery Gift along with your prize check. Remember the exact amount of your prize will be determined in a random drawing. The prize check will be mailed after the drawing date on or about FEBRUARY 17, 1987

United Cancer Council $5000 Instant Cash Sweepstakes
Enclosure (Second) Mystery Gift

FREE MYSTERY GIFT



Send us your contribution of $5 to help fight cancer and we'll send you a special free **"MYSTERY GIFT".**

We're not telling you what your gift will be—but you can be sure it will be something worthwhile.

UNITED CANCER COUNCIL
665 Fifteenth Street, N.W.
Washington, D.C. 20069-2013

The gift wrapping shown is for display purposes only. Your mystery gift will not be delivered gift wrapped

P6902PN

United Cancer Council $5000 Instant Cash Sweepstakes
Enclosure p2

UCC—the United Cancer Council is a nonprofit, tax-exempt organization whose purpose is dedicated to promoting and encouraging programs of: 1) Service in cancer patients; 2) Public and professional education; and 3) Research. The organization works to maximize collaboration of its agencies by placing primary emphasis on the local community, and providing a central organization for the coordination of resources materials, sharing new ideas for patient services and programs, and pooling research funds for agencies with limited research resources. Contributions to UCC are deductible for Federal Income Tax purposes. For fiscal year 1985, the expense distribution for the United Cancer Council was 67% for Program Services and 33% for Supporting Services. Research grants are awarded through the central organization. For a copy of the annual report, write to Executive Director, United Cancer Council, 630 East Carmel Drive, Suite 360, Carmel, Indiana 46032. New York residents may obtain a report from their state by writing to the Office of Charities, Charities Registration, Department of State, 162 Washington Avenue, Albany, New York, 12231. MOCS #9710

SECOND ROUND $50,000 SWEEPSTAKES-AR
OFFICIAL RULES

1. To enter complete the official entry/contribution (or order) form and return it in the appropriate envelope provided, with or without a purchase or contribution. No purchase or contribution is necessary to enter or win. All entries must be received by December 15, 1988. Not responsible for lost, late or misdirected mail. No facsimiles or mechanical reproductions accepted.
2. Winners will be determined in random drawings on or before December 30, 1988, by VENTURA ASSOCIATES, INC., an independent judging organization whose decisions are final. All prizes are guaranteed to be awarded. Winners will be notified by mail and may be required to complete an affidavit of eligibility and release from liability which must be returned within 21 days of date on notification. No substitutions for prizes except as may be necessary due to availability. Some travel restrictions may apply to trips. Limit one prize per person per family. Prizes are non-transferable. All taxes are the responsibility of the winners. Entry constitutes permission to use winners' names and likenesses for publicity purposes without additional compensation.
3. Approximate retail value of the prizes are as follows: One Grand (up to a range of $16,233), one First (up to a range of $3500), two Second (up to a range of $1124 each), three Third (up to a range of $570 each), 5,000 Fourth ($5.45 each).
4. The $50,000 Sweepstakes is a cooperative sweepstakes which may be presented in different creative presentations by various direct marketing organizations. Circulation will not exceed 100 million letters. Winners will have their choice of any prize offered at level won.
5. Odds of winning are determined by the total number of entries received. Sweepstakes open to the residents of the U.S. 18 years of age or older. Employees and their families of the sponsors, their affiliates, suppliers, advertising and production agencies and VENTURA ASSOCIATES, INC., are not eligible. All federal, state and local rules and regulations apply. Void where prohibited.
6. For a list of major prize winners, send a stamped, self-addressed envelope before December 15, 1988 to: $50,000 Sweepstakes Winners, P.O. Box 747, Lowell, IN 46399.

$50,000 SWEEPSTAKES-AR
Prize Structure

1 Grand Prize—Winner's Choice of One:
1) $10,000 Cash 2) Hawaiian Vacation for four for two weeks including round trip coach airfare, hotel (double occupancy) and transfers 3) 1987 Dodge Caravan 4) AMF Catamaran 5) Winnebago Motor Home 6) General Electric Kitchen including range, microwave oven, refrigerator/freezer, air conditioner, dishwasher, washing machine, dryer, trash compactor, plus $500 remodeling money 7) 1987 Chevy Camaro 8) Chris Craft 17' Motor Boat 9) 1987 Pontiac Fiero 10) Three week trip for two to Europe, stopping in Paris and London, including round trip coach airfare, and hotel accommodations (double occupancy)

1 First Prize—Winner's Choice of One:
1) RCA Rear Projection Television 2) Marcy Home Gym 3) AT&T Cellular Telephone 4) Kimball Spinet Piano 5) Trip for two (4 days/3 nights) to Paradise Island including round trip coach airfare and hotel (double occupancy) and transfers

2 Second Prizes—Winner's Choice of One:
1) General Motor Scooter 2) General Electric VCR plus 19" Color Television 3) AMF Sailboard 4) General Electric Programmable Microwave Oven 5) Fisher Stereo System including tuner, turntable, two speakers and cassette player.

3 Third Prizes—Winner's Choice of One:
1) Nikon 35MM camera 2) Lane Recliner Chair 3) Vitamaster Exercycle 4) His and Her Seiko Watches 5) Charmglow Gas Barbeque

5,000 Fourth Prizes—Unisex Goldtone Fashion Chain

Estimated Retail Value $50,941

FIRST ROUND $5,000 INSTANT CASH
SWEEPSTAKES-BI
OFFICIAL RULES
PRIZES ARE GUARANTEED TO BE AWARDED

1. How to enter—Return the official ticket in the appropriate envelope provided with or without contribution. Either way you are a winner.
2. Drawing—Winners are selected on or about February 17, 1987 by an independent accountant whose decisions are final. You do not have to be present to win. Winners checks will be sent after drawing date by return mail after full compliance with official rules.
3. Prizes—The total value of Sweepstakes-BI is $5,000.00. The following First Round prizes are offered: 8 checks-$100; 5 checks-$50; 10 checks-$25; 100 checks-$5; 500 checks-$1 and remaining, $3,000 will be split equally between all other individuals who return the First Round Winners Certificate.
4. Who is eligible to enter—The Sweepstakes is open to residents of the U.S. 18 years & older. Sponsors of the Sweepstakes, their families, agents, advertising agencies and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release. Mutilated or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified.
5. General—All federal, state and local laws apply. Sweepstakes void where sweepstakes are prohibited by law. Taxes on all prizes are the responsibility of winners.
6. Sweepstakes ends—The deadline for entering this sweepstakes is January 15, 1987. Postmark determines date.
7. Winners List—For the names of major prize winners, write to Sweepstakes-BI, P.O. Box 19533, Alexandria, VA 22320. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes.
8. Odds of winning any particular prize are determined by the number of prize claim tickets received. Not responsible for lost, late or misdirected mail. Prize claim coupons will not be honored if mutilated, altered, tampered or stolen or not received through legitimate channels.

P6A0256

United Cancer Council $5000 Irish Sweepstakes

Envelope

$5,000

000279

IRISH SWEEPSTAKES

12 chances - to win

,000 Cash Grand Prize

UNITED CANCER COUNCIL NEEDS YOUR HELP !!

To celebrate our new $5,000 Irish Sweepstake and all the 25 years that United Cancer Council (UCC) has been fighting cancer, we are giving you a chance to win our Grand Prize $5,000 in cash! We ask that you give to send a contribution to enter this sweepstake, but if you don't you won't be helping us to conquer cancer. So please be as generous as you can. Your support will help us continue our patient service programs, education and cancer research. So send back your tickets and an optional gift if you can today. Thank you and may the luck of the Irish be with you!

DRAWING DATE: APRIL 15, 1987

What to do—

1. Fill in your phone number on each of the stubs.
2. Detach and separate your stubs.
3. Mail the stubs along with the lower left hand corner of this sheet in the enclosed envelope with your optional contribution.

MAIL ENTRY CARD & TICKETS TODAY

UNITED CANCER COUNCIL

665 Fifteenth Street, NW
Washington, DC 20069-2013

☐ 12 Entries for a suggested $10 contribution
☐ 6 Entries for a suggested $5 contribution
☐ Other $_____

56RSC

Richard Whalen
182 Oak St
East Hartford, CT 06118

Please detach this form and your entry tickets and return them in the enclosed envelope with your optional check made out to:

PPMB UNITED CANCER COUNCIL

Ticket #1 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #2 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

Ticket #3 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #4 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

Ticket #5 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #6 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

Ticket #7 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #8 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

Ticket #9 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #10 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

Ticket #11 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ DD

Ticket #12 $5,000 IRISH SWEEPSTAKES
Richard Whalen
182 Oak St
East Hartford, CT 06118
Phone_____ D

United Cancer Council $5000 Sweepstakes

SWEEPSTAKES-DD OFFICIAL RULES

1. How to enter—Return the official tickets or contribution form in the appropriate envelope provided with or without a contribution. Either way you are eligible to win a prize.
2. Drawing—An independent accountant selects the winner. Each entry has an equal chance to win a prize. The winner will be drawn at random from all entries received as the result of this promotion.
3. Prizes—The total value of Sweepstakes DD is *$5,000.00*. Different prizes may be offered during the Sweepstakes. The winner may choose anyone of the prizes offered.
4. Who is eligible to enter—The Sweepstakes is open to residents of the U.S. and its possessions. Sponsors of the Sweepstakes, their families, agents, vendors, and paid staff are not eligible to win.
5. General—Sweepstakes-DD is a cooperative sweepstakes which may be presented in different creative presentations by various organizations. Offer void where prohibited by law. All Federal, state and local regulations apply.
6. Sweepstakes ends—The deadline for entering this sweepstakes is *April 15, 1987*. (Postmark determines date).
7. Winner—For the names of the major prize winners, write to Sweepstakes-DD Winners List, P.O. Box 19533, Alexandria, Va. 22320.

9 Cancer Warning Signals

Alertness to one of the following nine warning signs and regular physical examinations give you the greatest protection against cancer.

You owe it to your family and to yourself to practice prevention and early detection!

1. **Unusual bleeding or discharge from anywhere.**
2. **A lump or thickening in the breast or anywhere.**
3. **Any sore that does not heal.**
4. **Persistent change in bowel habits or shape of stool.**
5. **Pain or red urine.**
6. **Persistent hoarseness, cough or sore throat.**
7. **Persistent indigestion, difficulty in swallowing.**
8. **Progressive changes in size or color or feeling in a wart or mole.**
9. **Unexplained weight loss or prolonged fever.**

APPENDIX B

ORGANIZATIONS USING
SWEEPSTAKES PROMOTIONS

ADOPT-A-PET, INC.
Soliciting Under the Name
NATIONAL ANIMAL PROTECTION FUND
2136 North Atlanta Place
P.O. Box 1181
Tulsa, OK 74101-1181

Date Incorporated: February 23, 1982

PURPOSE: To promote the general welfare of animals; treat, board, and spay abandoned animals; operate directory of lost pets.

REVENUE: $1,445,950 (1987)

Management and Fundraising: $824,235 (57 cents)

Program:

Animal Shelter:*	$32,378	(02 cents)
Education:**	$495,605	(34 cents)

Other: Surplus $93,730 (06 cents)

* Animal shelter is located in Tulsa, Oklahoma.
** Public Education costs include costs for mailing lists, postage and printing.

AMERICAN HEART DISEASE PREVENTION FOUNDATION
48 Plymouth Street
Montclair, New Jersey 07042

Date Incorporated: October 1, 1986

PURPOSE: To promote, fund and support the prevention of cardiovascular disease. To perform research directed towards the prevention of cardiovascular disease and to describe the results of this research in suitable publications.

REVENUE: $1,262,266 (1987)

Management and Fundraising: $808,137 (64 cents)

Program:

Research:	$35,000	(03 cents)
Education:	$619,191	(49 cents)*

Other: Deficit: $200,062 (-16 cents)

*Funds spent for education include the following:

$256,867 - postage
$139,066 - printing
$121,909 - mailing list rental

***According to an article published in the Virginian-Pilot and the Ledger Star dated July 3, 1988, the bulk of the $35,000 listed under Research financed a month long visit by Dr. Marvin L. Bierenbaum, its Chief Executive Officer, and another physician to Chongquing University in the People's Republic of China where they trained Chinese medical students for a month.

CANCER FUND OF AMERICA
715 North Central
Knoxville, TN 37917

Date Incorporated: October 1, 1987

PURPOSE: To assist cancer patients with direct costs of medication, treatment, transportation, nutritional supplements, dressings, education and special research projects.

Cancer Fund of America, has not yet completed its first fiscal year. It will be required to file a financial statement on May 31, 1989.

COALITION TO STOP GOVERNMENT WASTE
201 Massachusetts Ave. N.E. #C-1A
Washington, DC 20002

Date Incorporated: July 6, 1984

PURPOSE: Founded as a public watchdog group, devoting its efforts to reducing government procurement waste and eliminate bureaucratic red-tape leading to frequent over-priced defense spending on equipment and replacement parts.

The 1987 annual report indicates that the organization does not contemplate continuing use of an outside fundraising counsel or solicitor for the coming year.

REVENUE: $367,886 (1987)

Management and Fundraising: $188,671 (51 cents)

Program: *Education: $186,293 (51 cents)

Other: Deficit: $7,078 (-02 cents)

*Educational expenses included: Postage and Delivery $57,244; Printing $93,280; Mailing $20,882 and office expenses $875, all of which were also attributable to fundraising.

The organization's audited financial statement provides the following information about the organization's prior contingent liability to the fundraiser, its allocation of joint costs and grant to its affiliate:

"Contingent Liability and Subsequent Events

As of December 31, 1987, the CTSGW has a contingent liability to a Professional fundraiser in the amount of $209,015 which includes $169,343 of debt owed to the fundraiser and the balance of $39,672 owed to various vendors. The CTSGW is liable to the fundraiser only to the extent that the fundraiser has raised the funds with which to pay the liability.

On March 8, 1988, per a signed agreement, the fundraiser released the CTSGW of its obligations to pay them for their portion of the outstanding debt. However, the CTSGW is now responsible for raising funds to pay the outstanding debt owed to its various vendors.

Allocation of Joint Costs

In 1987 and 1986, the organization incurred joint costs of $359,146 and $492,666 respectively, for informational materials and activities that included fundraising appeals. Of those costs, $186,293 and $330,204, respectively, was allocated to the public education program service, and $172,853 and $162,462, respectively, was allocated to fundraising expense.

Due to Affiliate

The Committee Against Government Waste, Inc., a tax-exempt organization that is affiliated with

the CTSGW, owes the CTSGW $49,500 as of December 31, 1987. There is no definite repayment schedule.

Grant Expense

In December, 1985, the CTSGW received a grant request from The Committee Against Government Waste, Inc. a tax-exempt organization that is affiliated with the CTSGW. The grant request of $156,275 was approved and paid in 1986. The purpose of the grant was to implement a public education program to inform the media, members of Congress, and general public about the need for settling whistle blower disputes without recourse to litigation."

REVENUE: $528,247 (1986)

Management & Fundraising: $175,233 (33 cents)

Program:

*Education:	$175,671	(33 cents)
Whistle Blower Awards:	$1,090	(0.2 cent)

Other: Surplus $176,253 (33 cents)

*Educational expenses included: List Rental Fees $17,807; Professional Fees $8,342; Mailing $67,302; Printing $55,022; Postage & Shipping $23,934.

The Coalition reported a contingent liability to the fundraiser of $236,549 as of December 31, 1986, according to an audited financial statement dated November 19, 1987. Their report indicates that the coalition "is liable to the fundraiser only to the extent that the fundraiser has raised the funds with which to pay the liability." They report that "this factor indicates that the committee may be unable to continue in existence."

The accountants further reported:

"Allocation of Joint Costs--In 1986 and 1985, the organization incurred joint costs of $492,666 and $42,926, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, $330,204 and $21,457, respectively, was allocated to the public education program service, and $162,462 and $21,479, respectively, was allocated to fund-raising expense."

and

"Grant Expense--In December, 1985, the Coalition received a grant request from The Committee Against Government Waste, Inc.--a tax exempt organization that is affiliated with the Coalition To Stop Government Waste. The grant request of $156,275 was approved and was paid in 1986. The purpose of the grant was to implement a public education program to inform the media, members of Congress, and general public about the need for settling whistleblower disputes without recourse to litigation."

COMMITTEE AGAINST GOVERNMENT WASTE
210 Massachusetts Ave. N.E. #C-1A
Washington, DC 20002

Date Incorporated: May 23, 1984

PURPOSE: To gather and disseminate information regarding waste and abuse of federal funds expended by the government in carrying out its programs and policies; to generate public support and awareness of the subject area in an effort to promote and encourage programs, including but not limited to, legislative and regulatory programs, aimed at correcting specific instances and policies which result in a drain of federal coffers; to identify and publicize specific instances of past and present government policies which encourage and harbor such waste and abuse; and prevent such waste and abuse from occurring in the future.

No annual financial report for its 1987 fiscal year has been filed. The figures provided are for 1986.

REVENUE: $523,344 (1986)

Management and Fundraising: $331,667 (63 cents)

Program:
Education: $325,954 (62 cents)

Other: Deficit $134,277 (-26 cents)

Program Service include:
$15,213 - postage
$100,045 - printing
$104,257 - mailing
$73,386 - list rentals

THE LITTLE ORPHANS, INC.
P.O. Box 36276
Cincinatti, Ohio 45236-0276

NOTE: On May 15, 1987 The Little Orphans, Inc. informed the Public Charities Unit that it will no longer use a professional fundraiser and will not solicit outside Ohio after that date.

Incorporated: December 5, 1983

PURPOSE: To provide food, shelter and medical attention to homeless animals. To create a low cost spay and neuter clinic, thereby controlling over-population. To launch a nationwide educational program to alert the public to the problems of homeless animals.

REVENUE: $166,380 (1986)

Management and Fundraising: $77,772 (47 cents)

Program:

*Education: $86,444 (52 cents)
**Other Service: $589 (0.4 cent)

*The educational expenses are stated to be for a mass mailing of over 500,000 pieces.

**Other program service was providing shelter and medical attention to "over 100" kittens and puppies in 1986 (approximately $5.89 per animal). Of the $589, $249 is listed as animal food.

NATIONAL EMERGENCY MEDICINE ASSOCIATION
30 West Pennsylvania Avenue
Towson, MD 21204

Date Incorporated: January 18, 1982

PURPOSE: To promote, fund, and support the improvement of emergency medical care nationally. The Association awards research grants to hospitals, trauma centers and universities. It also conducts public education on heart trauma and emergency care through its mailings to the general public.

REVENUE: $9,288,452 (1987)

Management and Fundraising: $3,512,262 (38 cents)

Program:
Research: $ 140,930 (1.5 cents)
*Education: $5,936,789 (64 cents)

Other: Deficit $301,529 (-03 cents)

*Education costs subsidized the mailings of 24.2 million letters to 17 million people, according to the organization's IRS return. An audited financial statement indicates that this consumed $5,721,134 which broke down into: Postage $1,508,676; Printing & Publications $914,433; Art work $16,010; Caging & Cashiering $276,971; Dataprocessing $622,495; Mailing Services $450,896; Lists Costs $921,917; Office Expenses $25,749; Professional Fees & Contracts $1,224,233; Salaries $52,735, all in addition to the above management and fundraising costs.

PROJECT CURE, INC./CENTER FOR ALTERNATIVE CANCER RESEARCH
2020 K Street Northwest, Suite 250
Washington, DC 20006

NOTE: Not registered in Connecticut; these figures are from reports to the Minnesota Attorney General's Office. Date Incorporated: June 9, 1983

PURPOSE: To advance and improve the general welfare of the community through the promotion and dissemination of information regarding health related issues. Project CURE conducts lobbying concerning alternative health issues and educates the public regarding cancer and cancer research.

REVENUE: $3,593,820 (1987)

Management and Fundraising: $1,150,321 (32 cents)

Program:
Lobbying: $1,069,524 (30 cents)*
Education: $1,068,523 (30 cents)*

Other: Surplus $304,452 (08 cents)

*Funds spent on lobbying and education include the following:
$768,427 - postage
385,356 - fundraising
430,338 - printing
435,229 - list rentals

The Connecticut Attorney General's office, at the request of the Commissioner of Consumer Protection has brought a lawsuit against Project CURE, Inc. for soliciting charitable funds in Connecticut while unregistered. The organization has submitted forms to register. The lawsuit is still pending.

PACIFIC WEST CANCER FUND
1111 Third Avenue, Suite 700
Seattle, WA 98101

Date Incorporated: November 18, 1987

PURPOSE: To increase public awareness of the dangers of cancer and promote improved rates of survivability for persons with cancer through awareness of early detection methods.

Pacific West Cancer Fund's first accounting year ends December 31, 1988. It will be required to file its first financial statement by June 30, 1989.

Pacific West solicited funds in Connecticut prior to becoming registered. It recently attempted to register but its materials were returned as incomplete.

UNITED CANCER COUNCIL
4010 West 86th Street, Suite H
Indianapolis, IN 46268-1704

Date Incorporated: February 15, 1963

PURPOSE: To promote, encourage and assist in programs of service to cancer patients, public and professional education with regard to cancer and research.

REVENUE: $10,762,501 (1987)

Management and Fundraising:	$6,300,638	(59 cents)
Program:		
Research:	$89,700	(1 cent)
Patient Services	212,941	(2 cents)
Education:	3,809,512	(35 cents)*
Other: Surplus:	$349,710	(3 cents)

*Funds spent for education include the following:
$1,178,808 - postage
634,379 - mailing lists

184,290 - caging & cashiering
825,365 - printing
305,439 - mailing house
262,338 - computer

*The 1987 UCC Annual Report states under the category of "Patient Service" that $133,752 was donated to a list of 16 specific patient service agencies to fund "loan closets" for the lending of durable medical equipment (wheelchairs, etc.) and transportation for cancer patients. None of the agencies is located in Connecticut. Of the $89,700 in research grants, 14 grants ranging from $217.50 to $5000 were provided to institutions all in other states. Funding of "Education" including Cancer Prevention Seminars, Smoking Withdrawal Clinics, Breast Self-Examination Clinics and Mastectomy Group Counseling for 1987 totalled $6,500.00. None of the grants went to Connecticut institutions.

WALKER CANCER RESEARCH INSTITUTE
1075 Sand Pebble Drive, Suite 100
Edgewood, MD 21040

Date Incorporated: January 9, 1981

PURPOSE: To conduct and sponsor cancer research and related scientific research and to communicate and inform the public and scientific community concerning such research.

REVENUE: $109,779 (1987)

Management and Fundraising: $168,813 ($1.54)

Program:
Research: None
Education: $36,853 (34 cents)

Other: Deficit: ($95,887) (-87 cents)

*The organization's IRS 990 Tax Return indicates that "public education about the origin, nature or causes of cancer" was accomplished through "approximately 500,000 informative direct mail solicitations."

APPENDIX C

B.B.B. REPORT ON
THE SOCIAL SECURITY PROTECTION BUREAU

FILE REPORT

A SERVICE OF THE

BetterBusinessBureau
OF METROPOLITAN WASHINGTON, D.C.
1012 14th Street, N.W. Washington, D.C. 20005 Phone 393-8000 Douglas W. Tindal President

WAHU Corp. doing business as
SOCIAL SECURITY PROTECTION BUREAU
Washington, D. C 20069

The following report covers the Bureau's experience with the firm for the last three years, our current reporting period.

Social Security Protection Bureau has been identified in our files since Sept. 1986. The firm has described its services as "Social Security Information Service." The firm solicits memberships through direct mail solicitations which includes a $5,000 Cash Bonus Sweepstakes.

The firm's address directs mail to the Washington Intelligence Bureau, 2727 Merrilee Drive, Merrifield, VA 20069. The Washington Intelligence Bureau has reported it handles mail resulting from the solicitations of Social Security Protection Bureau. Mr. Bryan C. Hughey is listed as President of the firm and Mr. Jerry C. Watson is listed as Vice President. Mr. Hughey and Mr. Watson are identified as principals of Watson & Hughey Co. of Alexandria, Virginia. A separate report is available on this firm upon request.

The Better Business Bureau has received complaints against the firm during its current reporting period. In general, complaints allege non-delivery of the plastic Social Security cards, the membership kits or prize money checks. Some claim delays or non-receipt of a card after asking for a name correction. The company has answered these complaints by either issuing a refund or by resending the kit.

In March 1987 the bureau wrote the Social Security Protection Bureau regarding its promotional literature. Specifically, we asked for clarification of some of the benefits mentioned in the literature; such as, the SSPB's assistance in getting member's Social Security records and its monitoring of proposed Social Security and Medicare legislation. We noted that it was a simple process to obtain this record directly from the Social Security Administration. The firm stated they provided the Social Security Administration's record request form as a convenience to its members. It also provided the name of a Washington law firm it had retained for lobbying activities and also noted it has a staff member to answer technical questions from members. We also asked that the firm more clearly indicate that it is a membership organization and not part of the federal government. The firm responded that its promotional literature, services and sweepstakes offer were all commercial in nature.

(cont.)

FILE REPORT

A SERVICE OF THE

BetterBusinessBureau
OF METROPOLITAN WASHINGTON, D.C.
1012 14th Street, N.W. Washington, D.C. 20005 Phone 393-0865 Douglas W. Tindal, President

GENERAL COMMENTS

According to the Social Security Administration, no one has to pay money to any person or organization to get Social Security Benefits or to make sure monthly Social Security checks continue. On the other hand, the Social Security Administration has no authority to interfere with any legitimate organization's efforts to provide information to the public unless the information contains factual errors, distortions, or misleading statements about the Social Security program. For more information about benefits or to obtain a copy of your social security record contact your local office of the Social Security Administration.

A general report about sweepstakes promotions written by the standards and practices division of the Council of Better Business Bureau's is available from your local Bureau upon request.

As with any firm, the Bureau suggests you read and understand any contract or sales agreement before signing. Be certain to compare verbal assurances with the written terms of the contract.

NC
6/88

Adopt-A-Pet $5000 Cash Bonanza Sweepstakes Letter p1

National Animal Protection Fund

24P1S

★ ★ ★

Ms. Helen L. Kucsma
11 Bonnybrook Trl
Norwalk, CT 06850

Dear Ms. Helen L. Kucsma:

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is a guaranteed winner of a $1,000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about March 1, 1989.

CASH DISBURSEMENT BOX

★ ★ ★

F3

Geraldine Shunk

Helen L. Kucsma

Mary Green

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

over, please

PLEASE DETACH HERE AND RETURN CLAIM COUPON BELOW.

OFFICIAL CASH CLAIM COUPON

Ms. Helen L. Kucsma
11 Bonnybrook Trl
Norwalk, CT 06850

F3

24P1S

WARNING:
This Coupon has a certified cash value, if the addressee's name appears in the Cash Disbursement Box.

CASH DISBURSEMENT BOX

★ ★ ★

Geraldine Shunk

Helen L. Kucsma

Mary Green

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.

To claim your prize, please enclose (check one)

/_/ a personal check or cash in the amount of $7 or more to help save the lives of homeless cats and dogs.

/_/ a personal check with the word VOID written across it.

Your check will be mailed to you on or about March 1, 1989.

P0198 NATIONAL ANIMAL PROTECTION FUND—a project of Adopt-A-Pet

If your name does appear in the Cash Disbursement Box, you must return the Official Cash Claim Voucher below in the enclosed pre-addressed envelope along with your check for $7 to help save the lives of homeless cats and dogs OR a blank check with the word VOID written across it.

Follow these instructions and on or about March 1, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by the National Animal Protection Fund(NAPF). NAPF rescues homeless, neglected dogs and cats. We maintain and operate an orphanage, providing food and shelter, bathing, vaccinating and neutering each abandoned dog or cat that's taken in. Through this give-away, we are hoping to raise desperately needed funds to save these helpless animals.

With approximately 30 million cats and dogs being born each year, only 10% will ever find a happy home. The rest are abandoned, abused, starving and left to die in our streets.

To continue our important rescue work we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more or your blank check with the word "VOID" written across it.

Either way, on or about March 1, 1989 a bank check will be mailed to you.

Sincerely,

Joan Mace

Joan Mace
Executive Director

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Box, PLEASE NOTE, your Cash Claim Coupon has a certified cash value.

This means if you do not return the Coupon before the deadline date, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Redemption Office as soon as possible.

PET CARE GUIDELINES

CATS

1. Fresh water and food daily
2. All cats spayed and neutered at age 6 mo.
3. Do not declaw (it ruins their feet)
4. Keep in house and use litter tray
5. Keep free of fleas and other parasites
6. Keep combed and clean
7. Use cat carrier when traveling, and keep tags on the cat

DOGS

1. Fresh water and food daily
2. All dogs spayed and neutered at age 6 mo
3. In fenced yard when they go outside
4. Keep free of fleas and other parasites
5. Keep groomed & groomed
6. Use leash when traveling
7. Keep tags on the dog

Pets are good for you

- A study of 92 patients in the coronary care unit of the Univer..ity of Maryland Hospital showed that people who own pets may live longer after hospitalization than people who don't have pets.
- At the University of Pennsylvania it was discovered that people's blood pressure seems to go down when they pet an animal.
- A study in London's Hyde Park found that when accompanied by their dogs, pet owners met more people and had longer conversations than when they walked alone.
- A program at Pennsylvania State University showed pets given to shut-in elderly people sparked "dramatic transformations" enabling disabled people to rise above their disability and helped depressed, withdrawn types become more social.
- At Ohio State University, several psychotic and schizophrenic mental patients have vastly improved after being able to spend time with pets.

Go to your nearest animal shelter today and adopt a pet. It's good for you!

Your Gift Helps Support These Vital Programs

1. Pet rescue operations.
2. Veterinary care—all animals rescued by us are given medical screening.
3. Feeding dogs and cats awaiting adoption to approved homes.
4. Cruelty investigations—looking into animal cruelty cases and calling them to the attention of the proper law enforcement agencies.
5. Humane education—teaching the public the responsibilities of pet ownership.

BLANK CASH BONANZA SWEEPSTAKES
OFFICIAL RULES
NO PURCHASE NECESSARY

1. How to enter—Return the Official Cash Claim Coupon in the appropriate envelope provided with your check for $7 OR a blank check with the word "VOID" written across it. Either way you are a winner and no purchase is necessary. 2. Drawing—The two Third Round Grand Finalist have been pre-selected by computer. Fourth Round Grand Finalists have also been pre-selected by computer. However, the exact amount of your cash prize as a Fourth Round Grand Finalist will be determined in a random drawing which will take place on or about January 5, 1989. All decisions made by computer are final. You do not have to be present to win. Winner's checks will be sent by return mail after full compliance with official rules on or about March 1, 1989. 3. Prizes—The total value of prizes in this Bonanza Sweepstakes is $5,000.00. The following Third Round Grand Finalist Award is offered: 1 check—$1000. The following Fourth Round Grand Finalists Awards are offered: 3 checks for $100; 3 checks for $50; 5 checks for $25; 50 checks for $5; 175 checks for $1. The remaining $5000 will be split equally between all other individuals who return the Official Cash Claim Coupon and comply with the official rules. minimum prize shown is $1. Five Round Finalists will include all Third Round Finalists for all Bonanza Sweepstakes whose $1000 prize checks have been cashed and returned to the issuing bank by April 1st, 1989. Second Round Grand Finalists will include all 4th Round Grand Finalists whose $100 checks have been cashed and returned to the issuing bank by April 1st, 1989 for all Bonanza Sweepstakes. These First and Second Round Finalists names will automatically be entered in a special new $5000 SUPER SWEEPSTAKES. loss notes behind. 4. Who is eligible to enter—The Sweepstakes is open to residents of the U.S., 18 years and older. Employees of the Sweepstakes, their families, agents, advertising agencies and past staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release. Multiples or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified. Limit: One prize per person. 5. General—All federal, state and local laws apply. Sweepstakes void where prohibited by law. Taxes on all prizes are the responsibility of winners. 6. Sweepstakes ends—The deadline for entering this sweepstakes is January 5, 1989. 7. Winners List—For the names of the major prize winners, write Bonanza Sweepstakes, P.O. Box 10589, Alexandria, VA 22309. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes. 8. Odds of winning a 3rd Round Award are approximately 1 in 200,000. Odds of winning any particular 4th Round prize are determined by the number of Cash Claim Coupons received. Not responsible for lost, late or misdirected mail. Cash Claim Coupons will not be honored if mutilated, altered, tampered or stolen or not received through legitimate channels. 9. If your name does not appear in the Cash Disbursement box, you are not a winner nor are you eligible for any Sweepstakes prize. 10. National Animal Protection Fund—is a program of Adopt-A-Pet is a nonprofit, charitable organization supported by voluntary contributions and dedicated to the promotion of animal welfare throughout the United States. Our purpose is the prevention of cruelty to animals, pick up homeless or unwanted cats and dogs, and providing for their care. 4 We do not allow our animals to fall into the hands of exterminators or researchers. We are not financed by any municipal, county, state or federal government agency. For the fiscal year ending 1987, which was this organization's sixth year of operation, National Animal Protection Fund, a program of Adopt-A-Pet, spent $927,000 for the rescue, medical care, food and shelter of abandoned animals and public education. National Animal Protection Fund's expense ratio was 29% to program services, 69% for fundraising and 1% for administration.

$5000 SUPER SWEEPSTAKES
OFFICIAL RULES

1. Who is eligible to enter: All First Round Finalists and Second Round Grand Finalists in all $5000 Bonanza Sweepstakes as outlined in the Official Rules for the $5000 Bonanza Sweepstakes. No one else may enter this sweepstakes. 2. Prizes: The total value of the prizes in the Super Sweepstakes is $5000. The top prize is $4000. The second prize is $1000. 3. Drawing: Only First Round Grand Finalists will be eligible for the top prize of $4000. Only Second Round Grand Finalists will be eligible for the $1000 prize. The winners will be drawn at random from all entries on or about May 1, 1989. The judges decision

Cancer Fund OF AMERICA

BONANZA HOTLINE
801-392-9422

★ ★ ★

28G1C

Mr. Glen A Harris
123 Talcott Rd
Glastonbury, CT 06033

Dear Mr. Glen A Harris,

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is a guaranteed winner of a $1000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about December 30, 1988.

CASH DISBURSEMENT BOX

★ ★ ★

PD

MARIA R OLMSTED

GLEN A HARRIS

SUSAN RAATHS

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

over, please

PLEASE DETACH HERE AND RETURN CLAIM COUPON BELOW.

OFFICIAL CASH CLAIM COUPON

Mr. Glen A Harris
123 Talcott Rd
Glastonbury, CT 06033

PD

28G1C

WARNING:
This Coupon has a certified cash value, if the addressee's name appears in the Cash Disbursement Box.

28G1C

CASH DISBURSEMENT BOX

★ ★ ★

PD

MARIA R OLMSTED

GLEN A HARRIS

SUSAN RAATHS

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.

To claim your prize, please enclose (check one)

/_/ a personal check or cash in the amount of $7 or more to help fund our cancer patient assistance and cancer education programs;

/_/ a personal check with the word VOID written across it.

Your prize check will be mailed to you on or about December 30, 1988.

PS-150

3177 Peachtree Road • Atlanta, GA 30305

Cancer Fund of America $5000 Cash Bonanza Sweepstakes Letter p2

If your name does appear in the Cash Disbursement Box, you must return the Official Cash Claim Voucher below in the enclosed pre-addressed envelope along wit your check for $7 to help in our fight against cancer OR a blank check with the word VOID written across it.

Follow these instructions and on or about December 30, 1988 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by Cancer Fund of America (CFA). As I write to you, approximately 1,328 people will die from cancer before the sun sets on this day. Through this give-away we are hoping to raise desperately needed funds to help in the fight against cancer.

Almost 1 million Americans will be diagnosed with cancer this year, and more than half will die with in the next five years.

CFA is working to help those suffering from this dread disease through our Cancer Patient Assistance programs, and we are trying to educate as many Americans as possible about the early detection of cancer.

But to continue this important work we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more or your blank check with the word "VOID" written across it.

Either way, on or about December 30, 1988 a bank check will be mailed to you.

Sincerely,

Jim Reynolds
President

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Box, PLEASE NOTE, your Cash Claim Coupon has a certified cash value.

This means if you lose the Coupon, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Redemption Office as soon as possible.

CANCER WILL STRIKE
1 OUT OF EVERY 3
AMERICANS

If you
must say NO

Before you return this card, please consider the following:

- cancer will strike 1 out of every 3 Americans
- every 75 seconds, someone in America dies of cancer
- more children aged 3-14 die of cancer than of any other disease
- 53,000 living Americans will eventually contract cancer
- cancer will strike 2 out of every 3 families

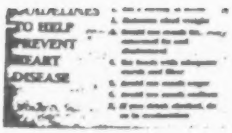
_____ *say NO*
to cancer.

[illegible] CASH BONANZA SWEEPSTAKES
OFFICIAL RULES

1. How to enter—Return the Official Cash Claim Coupon in the appropriate envelope provided with your refusal for $7 OR a blank check with the word "VOID" written across it. Either way you are a winner and no purchase is necessary. ¤ 2. Drawings—The one Third Round Grand Prizelist has been pre-selected by computer. Fourth Round Grand Prizelists have also been pre-selected by computer. However, the exact amount of your cash prize as a Fourth Round Grand Prizelist will be determined in a random drawing which will take place on or about October 30, 1988. All decisions made by computer are final. You do not have to be present to win. Winner's checks will be sent by return mail after full compliance with official rules on or about December 30, 1988. ¤ 3. Prizes—The total value of prizes in this Bonanza Sweepstakes is $5,000.00. The following Third Round Grand Prizelists is offered: 1 check—$1000. The following Fourth Round Grand Prizelists is offered: 3 checks for $100, 3 checks for $50, 5 checks for $25, 50 checks for $5, 175 checks for $1. The remaining $2000 will be split equally between all other individuals who return the Official Cash Claim Coupon and comply with the official rules. Minimum prize check is $5. First Round Prizelists will include all Third Round Grand Prizelists for all Bonanza Sweepstakes whose $1000 prize checks have been cashed and returned to the issuing bank by April 1st, 1989. Second Round Grand Prizelists will include all 4th Round Grand Prizelists whose $100 checks have been cashed and returned to the issuing bank by April 1st, 1989 for all Bonanza Sweepstakes. Those First and Second Round Prizelists names will automatically be entered in a special new $5000 SUPER SWEEPSTAKES. (See rules below) ¤ 4. Who is eligible to enter—The Sweepstakes is open to residents of the U.S. 18 years and older. Sponsors of the Sweepstakes, their families, agents, advertising agencies and paid staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release. Multiplest or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified. Limit: One prize per person. ¤ 5. General—All federal, state and local laws apply. Sweepstakes void where prohibited by law. Taxes on all prizes are the responsibility of winners. ¤ 6. Sweepstakes ends—The deadline for entering the sweepstakes is October 30, 1988. ¤ 7. Winners List—For the names of the major prize winners, write Bonanza Sweepstakes, P.O. Box 10928, Alexandria, VA 22320. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes. ¤ 8. Odds of winning a 3rd Round Award are approximately 1 in 850,000. Odds of winning any particular 4th Round Prize are determined by the number of Cash Claim Coupons received. Not responsible for lost, late or misdirected mail. Cash Claim Coupons will not be honored if mutilated, altered, tampered or stolen or not received through legitimate channels. ¤ 9. If your name does not appear in the Cash Disbursement box, you are not a winner nor are you eligible for any Sweepstakes Prize. ¤ For a copy of our Annual Report write to: Executive Director, Cancer Fund of America, 2477 Prestmere Road, Suite 217, Atlanta, GA 30627-0001. New York residents may obtain a report from their state by writing the Office of Charities, Charities Registration, Department of State, 162 Washington Avenue, Albany, New York 12231. MICS 8752. A copy of the official registration and supporting documents may be obtained from the West Virginia Secretary of State, State Capitol, Charleston, West Virginia 25305. Registration does not imply endorsement.

[illegible] SUPER SWEEPSTAKES
OFFICIAL RULES

1. Who is eligible to enter: All First Round Grand Prizelists and Second Round Grand Prizelists on all $5000 Bonanza Sweepstakes as defined in the Official Rules for the $5000 Bonanza Sweepstakes. No one also may enter the sweepstakes. ¤ 2. Prizes: The total value of the prizes in the Super Sweepstakes is $5000. The top prize is $4000. The second prize is $1000. ¤ 3. Drawing: Only First Round Grand Prizelists will be eligible for the top prize of $4000. Only Second Round Grand Prizelists will be eligible for the $1000 prize. The winners will be drawn at random from all entries on or about May 1, 1989. The judges decision is final. Winners checks will be mailed on or about June 1st, 1989. ¤ 4. General: Offer void where prohibited by law. All federal and state regulations apply. No purchase required to be eligible to enter. Odds determined by number of entries. ¤ 5. Winners: For the name of the major prize winners, send a self-addressed envelope to Super Sweepstakes Winners List, P.O. Box 10928, Alexandria, VA 22320-0928



BONANZA HOTLINE
801-392-9422

AMERICAN
HEART DISEASE PREVENTION
F O U N D A T I O N

34G1M

★ ★ ★

Ms. Karen Depiano
155 Holland Rd.
Bridgeport, CT 06610

2 002 6557300225

Dear Ms. Karen Depiano:

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and is a guaranteed winner of a $1000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about March 1, 1989.

CASH DISBURSEMENT BOX

2 002 6557300225

★ ★ ★

PZ

Joseph A. Basle

Karen Depiano

Lois F. Runyon

If your name does not appear in the Cash Disbursement Box above, please disregard this Notice.

over, please

PLEASE DETACH HERE AND RETURN CLAIM COUPON BELOW.

OFFICIAL CASH CLAIM COUPON

Ms. Karen Depiano
155 Holland Rd.
Bridgeport, CT 06610

PZ

34G1M

WARNING:
This coupon has a certified cash value, if the addressee's name appears in the Cash Disbursement Box.

CASH DISBURSEMENT BOX

2 002 6557300225

★ ★ ★

Joseph A. Basle

Karen Depiano

Lois F. Runyon

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.

To claim your prize, please enclose (check one)

/_/ a personal check or cash in the amount of $7 or more to help in the fight against heart disease;

/_/ a personal check with the word VOID written across it.

Your prize check will be mailed to you on or about March 1, 1989.

PRIZE

AMERICAN HEART DISEASE PREVENTION FOUNDATION

American Heart Disease Prevention Foundation Letter p2

If your name does appear in the Cash Disbursement Box, you must return the Official Cash Claim Voucher below in the enclosed pre-addressed envelope along with your check for $7 to help in our fight against heart disease OR a blank check with the word VOID written across it.

Follow these instructions and on or about March 1, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by American Heart Disease Prevention Foundation(AHDPF). As I write to you today, 43 million Americans are suffering from heart disease and over half will eventually die from heart disease. Through this give-away we are hoping to raise desperately needed funds to help in the fight against heart disease.

Already, AHDPF has been able to let millions of Americans know about nutritional prevention methods - methods that have the potential to save thousands of lives.

But to continue this important work we need your help and the help of our other friends.

So, please send your check for $7 or more today.

Remember, to claim the cash prize you have already won you must send us your check either made out for $7 or more or your blank check with the word "VOID" written across it.

Either way, on or about March 1, 1989 a bank check will be mailed to you.

Sincerely,

Marvin Bierenbaum, M.D.
Executive Director

P.S. If this letter is addressed to you and your name appears in the Cash Disbursement Box, PLEASE NOTE, your Cash Claim Coupon has a certified cash value.

This means if you do not return the Coupon before the deadline date, you forfeit the certified cash value associated with your name. So we recommend you mail your Coupon back to our Redemption Office as soon as possible.

Important Facts About Calcium That Can Help Prevent Heart Disease

It is reported that the normal adult should consume about 1-1.5 grams of calcium per day in order to help prevent elevated blood fat levels. Diet supplements like calcium carbonate help reduce fats. They help the body flush excess serum lipids (cholesterol) from the body. It appears that adequate calcium intake, either with natural food or by mineral supplementations can reduce the risk of high serum cholesterol in the blood. And you can reduce your fat intake by switching from full cream dairy products such as milk, butter and hard cheese to dairy products lower in fat, such as skim or low-fat milk, cottage cheese, low-fat yogurt, part skim cheeses and ice milk.

Most Americans consume 40% of their daily calories from fat. Fat not only puts on weight, but also puts you at a greater risk of developing heart disease.

According to the American Heart Association, you should limit your total fat intake to no more than 30% of your daily calories. Too much fat leads to high levels of serum cholesterol in our bodies. Therefore, diets leading to low serum cholesterol levels reduce the risk of heart disease as much as 75% over diets that contribute to high cholesterols levels.

Red meat is the largest source of fat in our diets. You can reduce your fat intake of meat, by changing to white meats, like chicken, turkey and fish. Recent reports done in 1984, on the Mormons and the 7th Day Adventists, both of whom consume diets very low in meat, show lower levels of fat in the blood.

Americans use fat in the cooking of many foods. To reduce intake in cooking, you should 1) remove skin from poultry, 2) trim all visible fat, 3) bake, poach and steam foods in water, chicken broth or cooking wine, instead of frying in fat, 4) use sunflower or safflower oil, if you must use fat in cooking, instead of lard or butter.

Another high source of fat in our diet is fast food! But more and more places, today, are offering a low-fat alternative to fat fast food. Foods like roast beef, instead of a hamburger and salads and baked potatoes without fatty toppings are being sold. If you do get fried fish or chicken, however, remove the breaded coating before you eat the meat.

$5,000 CASH BONANZA SWEEPSTAKES
OFFICIAL RULES
NO PURCHASE NECESSARY

1. How to enter—Return the Official Cash Claim Coupon in the appropriate envelope provided with your check for $7 OR a blank check with the word "VOID" written across it. Either way you are a winner and no purchase is necessary. 2. Drawing—The one Third Round Grand Finalist has been pre-selected by computer. Fourth Round Grand Finalists have also been pre-selected by computer. However, the exact amount of your cash prize as a Fourth Round Grand Finalist will be determined in a random drawing which will take place on or about January 6, 1989. All decisions made by computer are final. You do not have to be present to win. Winner's checks will be sent by return mail after full compliance with official rules on or about March 1, 1989. 3. Prizes—The total value of prizes in the Bonanza Sweepstakes is $5,000.00. The following Third Round Grand Finalist Award is offered: 1 check—$1000. The following Fourth Round Grand Finalists Awards are offered: 3 checks for $100, 3 checks for $50, 3 checks for $25, 50 checks for $5, 175 checks for $1. The remaining 8,0000 will be split equally between all other individuals who return the Official Cash Claim Coupon and comply with the official rules. Minimum prize shall be a Six First Round Finalists will include all Third Round Grand Finalists for all Bonanza Sweepstakes whose $1000 prize checks have been cashed and returned to the issuing bank by April 1st, 1989. Second Round Grand Finalists will include all 4th Round Grand Finalists whose $100 checks have been cashed and returned to the issuing bank by April 1st, 1989 for all Bonanza Sweepstakes. These First and Second Round Finalists names will automatically be entered in a separate new $5000 SUPER SWEEPSTAKES (see rules below). 4. Who is eligible to enter—The Sweepstakes is open to residents of the U.S. 18 years and older. Employees of the Sweepstakes, their families, agents, advertising agencies and past staff are not eligible to win. Winners will be asked to sign an affidavit of eligibility and release. Multiplied or illegible entries are disqualified. Attempts to reproduce or duplicate entries will be disqualified. Limit: One prize per person. 5. General—All federal, state and local laws apply. Sweepstakes void where prohibited by law. Taxes on all prizes are the responsibility of winners. 6. Sweepstakes ends—The deadline for entering this sweepstakes is January 6, 1989. 7. Winners List—For the names of the three prize winners, mail Bonanza Sweepstakes, P.O. Box 18633, Alexandria, VA 22302. Unclaimed prizes will not be awarded. Prizes are non-transferable and there are no substitutes. 8. Odds of winning a 3rd Round Award are approximately 1 in 800,000. Odds of winning any particular 4th Round Prize are determined by the number of Cash Claim Coupons received. Not responsible for lost, late or misdirected mail. Cash Claim Coupons will not be tampered with, altered, tampered or stolen or not received through legitimate channels. 9. If your name does not appear in the Cash Disbursement Box, you are not a winner nor are you eligible for any Sweepstakes prize. American Heart Disease Prevention Foundation is a non-profit charitable organization supported by voluntary contributions. New York residents may obtain a report from their state by writing to the Office of Charities Registration, Department of State, 162 Washington Ave., Albany, NY 12231 (800) 0696.

$5000 SUPER SWEEPSTAKES
OFFICIAL RULES

1. Who is eligible to enter: All First Round Grand Finalists and Second Round Grand Finalists in all $5000 Bonanza Sweepstakes as defined in the Official Rules for the $5000 Bonanza Sweepstakes. No one else may enter this sweepstakes. 2. Prizes. The total value of the prizes in the Super Sweepstakes is $5000. The top prize is $4000. The second prize is $1000. 3. Drawing: Only First Round Grand Finalists will be eligible for the top prize of $4000. Only Second Round Grand Finalists will be eligible for the $1000 prize. The winners will be drawn at random from all entries on or about May 1, 1989. The judges decision is final. Winners checks will be mailed on or about June 1st, 1989. 4. General: Office staff, others prohibited by law, All federal and state rules apply. Void where prohibited by law. All taxes are the responsibility of winners. Odds of winning are determined by the number of entries received.

STATEMENT

OF THE

AMERICAN ASSOCIATION OF RETIRED PERSONS

BEFORE THE

SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE AND
CIVIL SERVICE OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS

ON

DECEPTIVE MAILINGS

FEBRUARY 28, 1989

The American Association of Retired Persons, a membership organization representing individuals aged 50 and over, appreciates this opportunity to present its views regarding legislation to curb misleading mailings and solicitations. The 100th Congress enacted legislation as part of the Medicare Catastrophic Care Act which prohibits misleading mailings that use words or symbols associated with the Social Security Administration (SSA) and the Health Care Financing Administration (HCFA). Legislation now pending before this committee, S. 273, the Deceptive Mailings Prevention Act, would broaden the types of prohibited mailings and alter the penalty for noncompliance which was adopted in last year's catastrophic care legislation. We commend the committee and its chairman, Senator Pryor, for their continued interest in this important consumer issue.

Most households are inundated by mass mailings. They represent a cost effective means of communicating in today's society. The vast majority of companies and organizations which use mass mailings to reach potential customers and solicit new memberships are responsible groups which provide legitimate services. Unfortunately, a few companies misuse mass mailing techniques and mislead the recipient. In some cases, the group gives the false impression they represent the federal government. As a result, unsuspecting consumers spend their money on an array of unneeded items.

AARP is deeply concerned that some deceptive and misleading mailings are targeted towards older persons, many of whom have limited incomes and can ill afford to waste their precious resources. Since some of these mailings prey upon the sensitivities and vulnerabilities of such individuals, we fear the elderly are being particularly targeted by some current mailing practices. Older persons tend to place a good deal of trust in their government, and that faith ought not be exploited.

The Association believes that all citizens should receive adequate protection from fraudulent, deceptive, or misleading mail. On the other hand, we recognize that mass mailings are widely used by legitimate companies and organizations. Thus, it is essential to strike the proper balance between the needed control of fraudulent mailings and the right of legitimate organizations to conduct mailings. Similarly, the right to communicate ideas is one of our nation's most cherished constitutional freedoms. Therefore, those seeking to halt deceptive mailings must also protect the right to free expression even if it might weaken their well-intentioned efforts to curb companies seeking to bilk the public.

The following are questionable practices of concern:

(1) The use of look-alike envelopes that oftentimes mislead people into believing the mailing is from a government agency. Documents bearing an official-looking seal or insignia, often stamped with a public service statements such as "Buy United States Savings Bonds", and bearing a Washington, D.C. return address, sometimes give the impression of official government correspondence.

AND

(2) The solicitation of a fee for rendering services which may be available free or for a reduced charge from the federal government.

These practices (and others) have led to state level and Better Business Bureau activities to protect the public from misleading solicitations. Some of these local responses are described in the appendix. However, the Association believes that if the disclaimers provided in S. 273 were enacted, all Americans would be better protected, not just those who live in certain parts of the country.

The Deceptive Mailings Act extends the category of deceptive mailings beyond those covered by last year's legislation and expands enforcement activities against deceptive mailings.

If S. 273 were enacted, the Post Office would be able to stop the delivery of all items which solicit funds for a product or service that use symbols or seals or other means to imply a connection with or an endorsement from the government. Furthermore, the Post Office could stop delivery of consumer replies, forbid the payment of postal notes or money orders made out to these organizations, and require that such groups cease and desist from engaging in these practices. Failure to comply with a cease and desist order would result in the imposition of stiff monetary penalties. The range of S. 273's penalties act as a strong deterrent to those seeking to profit from deceptive mailings.

The legislation requires that in order for solicitations which imply a government connection or endorsement to become mailable, conspicuous notice must be given on the outside covering or envelope that "THIS IS NOT A GOVERNMENT DOCUMENT." In addition, the first page of all such mailings must have printed in large type that "THIS PRODUCT HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT."

The Association believes S. 273's requirements should help correct many of the abuses currently taking place when private organizations use the name of a federal agency to imply affiliation. In addition, the notices required by S. 273 are responsive to the confusion caused by misleading material.

Also, we endorse S. 273's more comprehensive coverage of mailings purporting to be from the government. A fake tax bill which looks as if it has been sent by the Internal Revenue Service, a bogus mailing resembling a check from the U.S. Treasury, an advertisement for a "government-endorsed" soil testing kit, and a Social Security sweepstakes ticket all should be subject to the same notice requirements.

AARP supports the provision in S. 273 that prohibits mailings targeted at older persons which prey upon their fears about the well-being of Social Security and Medicare AND imply a direct affiliation with the government. Older persons should not have to suffer needless anxiety about programs that are basic to their well-being.

We suggest that in one area S. 273's protective net against misleading mailings could be broadened. The legislation should specifically require those selling a service or product which the federal government provides free or at a lesser charge to include a disclaimer advising the recipient about the cost of the same service when provided by the government. This disclaimer would produce a better educated consumer, one who knows more about the availability and cost of the service or product being offered.

In conclusion, AARP believes S. 273 represents a thoughtful approach to the problem of deceptive and fraudulent mailings that plague the public generally, and older persons especially. Limits need to be imposed on such solicitations, and those in S. 273 seem reasonable. Also, the penalties in the bill are of sufficient severity to discourage those who mislead the American public. At the same time, the legislation appears to protect reputable mailers.

We look forward to working with the subcommittee towards adoption of legislation to protect older Americans and the general public from deceptive mailings.

STATE ACTIONS TO CURB DECEPTIVE MAILINGS

Texas

The state of Texas has a Deceptive Trade Practices and Consumer Protection Act which makes it unlawful to "represent that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or qualities which they do not have or that a person has a sponsorship, approval, status, affiliation, or connection which he does not." Texas successfully challenged a sweepstakes mailing that looked like a check but could not be cashed, had a misleading refund policy for its layaway plan, and other problems.

Oregon

The state of Oregon stopped insurance companies from using promotional material to seniors which has envelopes similar to those used by the federal government and which implied that official government documents were inside. The Insurance Commissioner said three of the four challenged mailings falsely indicated that they had been sent because of changes in Medicaid law.

Pennsylvania

The Insurance Commissioner in Pennsylvania has been responding to complaints about advertisements designed to look like government announcements regarding Medicare, Social Security or veterans' benefits. These mailings were actually nothing more than life and health insurance solicitations.

Tennessee

The Better Business Bureau in Nashville challenged envelopes with the statement, "Supplement to 1984 Medicare benefits as dictated by federal statutes." The envelope did say on the back that the product was "not affiliated with or endorsed by any government or Medicare program," but in small letters which were barely noticeable.

California

The California Department of Insurance instituted proceedings against several mailers whose names and content, style, shape and color of the physical materials presented, confuse or mislead prospective responders into believing that the solicitation is in some manner connected with an agency of the State or Federal Government.

AARP

March 27, 1989

The Honorable David Pryor
Chairman
Subcommittee on Federal Services, Post Office & Civil Service
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for providing the American Association of Retired Persons (AARP) the opportunity to reply formally to your questions of February 28 regarding deceptive mailings to older persons. We respectfully request that you insert our reply into the hearing record where appropriate.

With regard to our relationship with the Postal Service, the Association works with them in a variety of ways. Since much of AARP's educational and community service activities are provided to its members through the mail, AARP works with the Postal Service on a continuing basis to ensure delivery of items it places in the mail. The Association is a participating member of the Alliance of Nonprofit Mailers, which has an ongoing relationship with the Postal Service, and AARP has representation on the Mailers Technical Advisory Committee.

Also, you wanted to know how often our members contact us questioning mailings targeted at older persons. The following is a monthly average for 1988 by name of organization.

Allied Association of Retired Persons: 25 letters.
American Agency for Retired Persons: 2 or 3 letters.
Association of Retired Persons: 2 or 3 letters.
Bureau of Social Security Services Plan: 2 or 3 letters.
National Committee to Preserve Social Security and Medicare: 75 letters and 15 telephone calls.
Social Security Protection Bureau: 35 letters.

Samples of some of these mailings have been provided for the hearing record.

Sincerely,

Horace B. Deets

Horace B. Deets

American Association of Retired Persons 1909 K Street, N.W., Washington, D.C. 20049 (202) 872-4700

Louise D. Crooks, *President* Horace B. Deets, *Executive Director*

A.A.R.P.
American Agency for Retired Persons

Mail·A·Gram

DEAR SENIOR CITIZENS,

We have just completed a very important survey among the senior citizens. The result of this survey was SHOCKING!! Many senior citizens expressed great concern over the severe problems that many senior citizens are facing today.

A report issued by The House Select Committee on Aging reports, "The high costs of nursing home care forces many elderly patients into poverty within a few months."

C.J. Hart from Centerville, IA writes, "My wife and I are confined to a long-term care unit at our local hospital because of a catastrophic illness. Our savings are disappearing at an alarming rate! We spend in one month more money than our combined yearly income in most of our working lives. What becomes of people like us when our savings are gone??"

Others reported that they are paying excessive income taxes on interest earned from their C.D.'s, money market accounts and savings accounts.

As a result of this survey we have discovered some very alarming facts!!

FACT 1 - Many of these losses could be prevented if the senior citizen would utilize the benefits that are currently available to them under the IRS Tax Codes.

FACT 2 - Many senior citizens did not excercise their legal tax benefits because; "They were not aware of them!"

FACT 3 - There still is available a very important benefit that will help senior citizens to protect their savings from being depleted by some of these unfair costs and expenses.

Through a group effort, A.A.R.P. is helping to solve some of these problems.

To receive free information, without cost or obligation, simply complete the enclosed reply card today and drop it in the mail.

Sincerely,

R.L. Johnson
A.A.R.P.
Estate Division, Dept. 6
Ankeny, IA 50021

P.S. Because of the reduction in benefits to senior citizens and the changing tax code's

C. E. Hargrave
Route 7, Box 400
Montgomery, Texas 77356

Some people don't want to be bothered by facts about their Social Security benefits. Some are not concerned about death benefits and information loved ones need at time of death. To those people we say, "Don't read this."

But for those 85 years or younger and concerned about Social Security death benefits and desiring to have adequate funds for burial, we have reserved a **free gift** along with important information about increasing death benefits to more than $1,000 and as much as $4,000.

Please complete and mail the postage-paid card now. You can't afford to delay.

AARP
P.O. BOX 2088
ORANGE, TEXAS 77631-2088

BULK RATE
U.S. POSTAGE PAID
PERMIT NO. 17
ORANGE, TX

•••••••••• CAR-RT SORT •• PROT
0004 11
ALICE DEMARET HARGRAVE
RT 7 BOX 400
MONTGOMERY TX 77356-9807

SOCIAL SECURITY
000-00-0000
JOHN DOE
Signature

SEE DETAILS INSIDE

BUREAU OF SOC. SEC. SERVICES PLAN, DC

The Bureau of Social Security Services
Member Services and Benefits

Enroll yourself, and your working spouse today.
Protect your Social Security retirement income.

1. Official Account Statement.
2. Permanent personal card.
3. $1,000 reward for conviction for illegal use of member's card.
4. The Bureau's Social Security guide.
5. Official members' Newsletter.
6. Representation in Washington, DC.
7. Referral for legal assistance in correcting errors in Social Security account.

not affiliated with the U.S. Government

The Bureau of Social Security Services Plan

Washington, DC

Bureau of Social Security Services

Member services and benefits

Dear Friend:

When you toss this note into the wastebasket, you could be tossing $120,000.00 away with it.

Because -- that's what your Social Security benefits would be worth if you retire at 65 -- if you qualify for $500.00 a month -- if you live for another 20 years -- and <u>if you could collect.</u>

Your benefits could actually be more, or they could be less. It depends on how much you qualify for and for how long you live.

Regardless -- you just might not be able to qualify for any Social Security Benefits because of an error or mistake in your account. You could walk away from the table -- from years of hard work with zero.

Think it can't happen? How certain are you that Social Security got a payment everytime you got a paycheck? That your name and number match the card in your wallet?

Think about it.

If you have any doubts at all -- even the slightest -- perhaps you should think again about enrolling in our Bureau of Social Security Services Plan. Spending $12 sure beats losing $120,000.00.

Or more.

PCM. COORDINATOR

A-T

Association
of Retired
Americans

P.O. Box 13277, Denver, CO 80201
Toll Free: 800-622-8040

NOV 9 1987

FEB 0 9 1988

Dear ARA Member

We are writing to bring you up-to-date on the exciting new benefits available to ARA members.

Enclosed is your new ARA membership fulfillment kit. Our expanded membership benefit program now includes —

- **Network Air Medical Systems (NAMS)** — providing air ambulance services in medical emergencies and other benefits.

- **American Prescription Plan** — a mail-order prescription program with savings up to 80% off the retail cost of name-brand drugs.

- **Travel Club International** — offering a free vacation in Hawaii or Acapulco to ARA members, plus fantastic cruise discounts.

- **Eye Care Plan of America (ECPA)** — offering savings on the cost of glasses, frames and contact lenses through a nationwide network of eye care professionals. (Your ECPA membership card is enclosed!)

- **ARA Hearing Service** — offering up to 60% off the cost of name-brand premium quality hearing aids on a no risk, 100% satisfaction guaranteed basis.

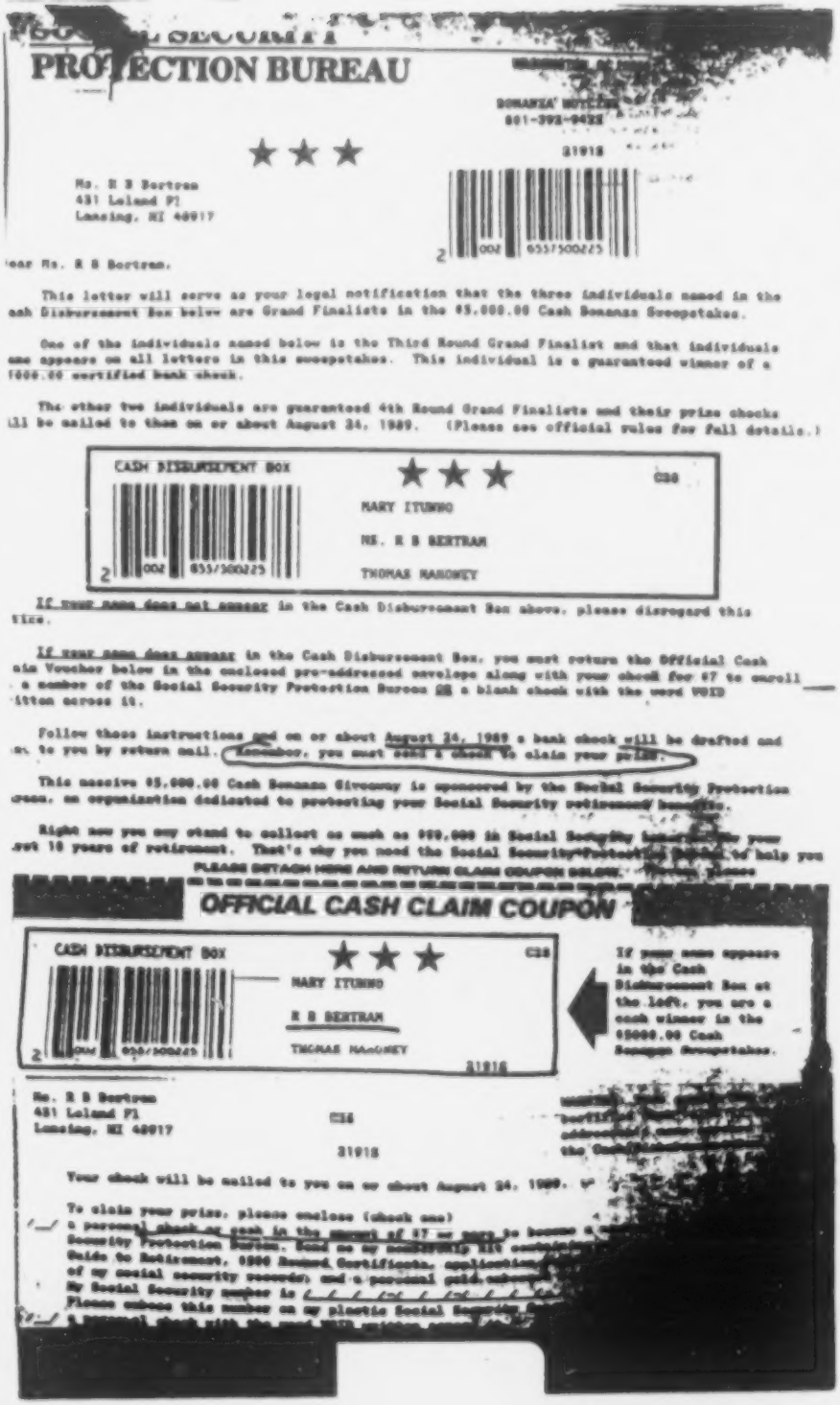
- **ARA Car Rental and Hotel/Motel Discounts** — see these exciting travel discounts in your fulfillment kit.

Finally, you should now be receiving **Senior Edition USA**, an official ARA publication which will bring you important national news and features of particular interest to ARA members.

We have enclosed two ARA membership cards listing all of the valuable ARA membership programs now available to you and members of your family. Be sure to keep the extra card in a safe place in case you lose the first one.

Thanks for being a part of the ARA!

Sincerely,



PROTECTION BUREAU

801-392-9422

★ ★ ★

31918

Ms. R B Bertram
431 Leland Pl
Lansing, MI 48917

Dear Ms. R B Bertram,

This letter will serve as your legal notification that the three individuals named in the Cash Disbursement Box below are Grand Finalists in the $5,000.00 Cash Bonanza Sweepstakes.

One of the individuals named below is the Third Round Grand Finalist and that individuals name appears on all letters in this sweepstakes. This individual is a guaranteed winner of a $5000.00 certified bank check.

The other two individuals are guaranteed 4th Round Grand Finalists and their prize checks will be mailed to them on or about August 24, 1989. (Please see official rules for full details.)

CASH DISBURSEMENT BOX ★ ★ ★ C28

MARY ITURBO

MS. R B BERTRAM

THOMAS MAHONEY

If your name does not appear in the Cash Disbursement Box above, please disregard this size.

If your name does appear in the Cash Disbursement Box, you must return the Official Cash Claim Voucher below in the enclosed pre-addressed envelope along with your check for $7 to enroll a member of the Social Security Protection Bureau OR a blank check with the word VOID written across it.

Follow these instructions and on or about August 24, 1989 a bank check will be drafted and sent to you by return mail. Remember, you must send a check to claim your prize.

This massive $5,000.00 Cash Bonanza Giveaway is sponsored by the Social Security Protection Bureau, an organization dedicated to protecting your Social Security retirement benefits.

Right now you may stand to collect as much as $50,000 in Social Security benefits for your next 10 years of retirement. That's why you need the Social Security Protection Bureau to help you

PLEASE DETACH HERE AND RETURN CLAIM COUPON BELOW.

OFFICIAL CASH CLAIM COUPON

CASH DISBURSEMENT BOX ★ ★ ★ C28

MARY ITURBO

R B BERTRAM

THOMAS MAHONEY

31918

If your name appears in the Cash Disbursement Box at the left, you are a cash winner in the $5000.00 Cash Bonanza Sweepstakes.

Ms. R B Bertram
431 Leland Pl
Lansing, MI 48917

C28

31918

Your check will be mailed to you on or about August 24, 1989.

To claim your prize, please enclose (check one)

/__/ a personal check or cash in the amount of $7 or more to become a

Security Protection Bureau. Send me my membership kit containing

Guide to Retirement, $500 Reward Certificate, application

of my social security records, and a personal guid

My Social Security number is

Please emboss this number on my plastic Social Security

/__/ a personal check with the word VOID written across it.

BEFORE THE SENATE

SUBCOMMITTEE ON

FEDERAL SERVICES, POST OFFICE

AND

CIVIL SERVICE

COMMITTEE ON GOVERNMENTAL AFFAIRS

CONCERNING S.273

DECEPTIVE MAILINGS PREVENTION ACT OF 1989

TESTIMONY OF THE

THIRD CLASS MAIL ASSOCIATION

1333 F STREET, NW, SUITE 710

WASHINGTON, DC 20004-1108

(202) 347-0055

We at the Third Class Mail Association (TCMA) appreciate this opportunity to share our views on the "Deceptive Mailings Prevention Act of 1989" (S.273). TCMA is a national association of for-profit and nonprofit firms and organizations that use third class mail as an advertising, marketing, or fund raising medium and firms that serve such mail users. Since its founding in 1947, TCMA's mission has been to advocate fair and equitable postal rates and services to keep third class mail an affordable and cost-efficient business communications vehicle.

We share the concerns of the sponsors of this legislation regarding mailings that are designed specifically to defraud, deceive, or mislead the public. We believe such uses of the mail are most repugnant, and we applaud your interest in bringing such practices to an end.

We have some concerns, however, with the approach this legislation takes to achieve its goal. For instance, Section 2 of S.273 would declare as "unmailable" any mail that "contains a seal, insignia, trade, or brand name, or any other term, symbol, design, or device which resembles a seal, insignia, trade or brand name, or any other term, symbol, design, or device that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement in such a manner that may cause confusion, mistake, or deception." [Emphasis added.] This language, we believe, is too far reaching and open to quite subjective judgment. In some regards, it would render "unmailable" mail pieces that are not crafted with any deceitful or misleading intent.

For instance, our association is identified by the name of the class of mail our members use to conduct business--the same term which is used to describe this class of mail in the Postal Service's Domestic Mail Classification Schedule. We use a logotype which portrays an eagle against a banner with red and white flowing stripes. [A sample of which is enclosed.] This logo is designed to convey to our

members and prospective members the special mission our organization plays as an advocate for their postal interests in the nation's capital. This logo does resemble a symbol used by some governmental agencies, including the Postal Service, even though its dress is distinctive and does not otherwise construe a connection with the Postal Service. It might be possible, however, for someone to 'interpret or construe' by 'mistake' this device as 'implying...[a] Federal Government connection.' Indeed, the name of our association alone might cause a person to wonder if TCMA is a part of the Postal Service.

Our situation is not unique. The U.S. Chamber of Commerce employs an eagle and flag motif with one of its own insignias. It also 'resembles' insignias that may be used by the federal government, and the words 'U.S. Chamber of Commerce,' when used in conjunction with this insignia, also might cause someone to 'construe' that the Chamber has a relationship with the Department of Commerce or some other governmental entity.

Admittedly, these illustrations could be carried to an extreme, but they do point out the kinds of problems that could be experienced by those who are using the mail for perfectly legitimate purposes and those charged with regulating it.

As a remedy, we would suggest the language used in subsection (f) of the bill be amended to read as follows:

> '(f) Matter otherwise legally acceptable in the mails which...contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which so resembles a seal, insignia, trade or brand name, term, symbol or device employed by the United States Government as to deceive

is nonmailable matter, shall not be carried or delivered...." [Emphasis added.]

We also would suggest similar changes to subsection (g). These changes would clarify an intent to eliminate deceptive mailing practices and not to eliminate otherwise legitimate practices that may cause someone to misconstrue an unintended purpose.

There are other aspects of this bill that cause concern as well. Subsection 2 (1)(B) would require a mailer to place on "the envelope or outside cover or wrapper" a disclaimer that "THIS IS NOT A GOVERNMENT DOCUMENT" or "a notice to the same effect in words which the Postal Service may prescribe." If the matter bears on its face a prominent notice disclaiming any endorsement or approval by or affiliation with the federal government, however, a disclaiming notice on the envelope is not necessary.

We recognize that some mail marketers can tend to get carried away with their envelope advertising copy. But the only purpose this copy serves is to get the recipient to open the envelope and examine its contents. If the contents plainly and prominently disavow any governmental endorsement, approval, or affiliation, confusion, misconception, or deception should not take place. The only cost to the recipient would be the time it takes to open the envelope and examine the contents. In many respects, the envelope serves the same purpose as the ringer on the telephone: It's merely designed to get the recipient to say "hello."

Marketing by mail is an artful exercise. It is also highly competitive. The growing use of mail as an advertising and marketing medium has increased the

competition among mailers in the mailbox for the recipient's attention. Some envelope copy may tend toward the hyperbolic, but characteristically it is not intended to deceive.

Our concern may seem a bit extreme, but recounting a recent experience between our industry and the Postal Service over envelope design may be instructive. Mail pieces sometimes are designed to convey the appearance of special importance or urgency. Not long ago, 'express-like' envelope designs were all the rage. They displayed copy that exclaimed 'urgent,' 'express,' 'priority,' or 'immediate reply required.' But while these envelopes appeared 'express-like', they fastidiously avoided any infringement on the Postal Service's 'Express Mail' and 'Priority Mail' protected trade dress.

Even though these 'express-like' designs avoided the hallmarks of Postal Service designs, the Service still attempted to end their use through an exercise that was tantamount to regulatory overkill. Eventually, mailing industry representatives were able to craft with Postal Service officials a more appropriate and equally effective nonregulatory approach that ameliorated the Service's operational concerns. As had been predicted by mail industry leaders, the fad of using 'express-like' envelope designs soon passed as consumers became more discerning of the differences between true Express Mail packages and their bulk mail advertising 'look-somewhat-alikes.'

Creative freedom over envelope design is highly prized by mail advertisers and marketers. It's one of the few areas where freedom of commercial speech still holds some sway. We would prefer not to see Congress expand the Postal Service's regulatory discretion over envelope design. We believe that expanding this

regulatory discretion can be avoided by a requirement for a prominently placed and plainly written disclaimer on any mail piece that requires such notice.

The people who will be responsible for enforcing the provisions of this legislation and subsequent regulations will be the postal personnel who verify and accept bulk third class mail at thousands of postal facilities throughout the nation. The members of this committee may have a clear understanding of the type of mail this bill is intended to control, but many of those who will be charged with its enforcement will not. Past experience strongly suggests that somewhere someone's well-meaning but misguided vigilance will result in good mail being refused postal acceptance because it contains some seal or insignia which "resembles" a device that "could be interpreted or construed as implying" a federal government connection.

Without direction from Congress to the Postal Service to adopt a procedure that facilititates swift dispute resolution, we fear that some mailers will suffer needless grief, aggravation, and financial harm. We strongly recommend Congress instruct the Service to develop an expeditious resolution dispute mechanism that respects and satisfies the needs of mail users.

In summary:

- We support efforts to end mailing practices designed to deceive unwary mail recipients.

- We believe the definition of nonmailable matter should be revised in a manner that will not render unmailable pieces that are not crafted with any deceitful or misleading intent.

- We believe requiring a prominently displayed and plainly written disclosure should be enough to deter and control deceptive mailings.

- We recommend Congress instruct the Service to develop a resolution dispute mechanism that respects and satisfies the needs of mail users.

We sincerely hope you find these comments helpful. If we can be of assistance in any way on this , please consider TCMA at your service.

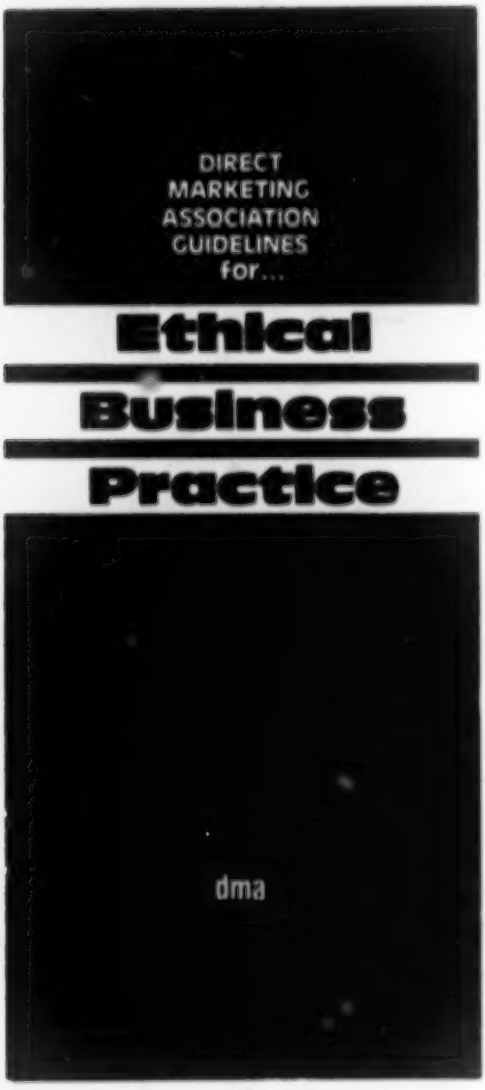
TCMA

Representing the interests of
Third Class Mail in the Capital
and across the nation.

U.S. CHAMBER LETTER

RICHARD L. LESHER
PRESIDENT
CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA

1615 H STREET, N.W.
WASHINGTON, D.C. 20062
202/659-6000


DIRECT
MARKETING
ASSOCIATION
GUIDELINES
for...
Ethical
Business
Practice
dma

The Direct Marketing Association's Guidelines for Ethical Business Practices are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted nationally and internationally. These Guidelines reflect DMA's long-standing policy of high levels of ethics and the responsibility of the Association and direct marketers to the consumer and the community—a relationship that must be based on fair and ethical principles.

What distinguishes the Guidelines, which are self-regulatory in nature, is that all are urged to support them in spirit and not to treat their provisions as obstacles to be circumvented by legal ingenuity. The Guidelines are intended to be honored in the light of their aims and principles.

These Guidelines are also part of the DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising marketing including direct response marketing, observance of these Guidelines by all concerned is recommended.

Table of Contents

	Page
The Terms of the Offer	
Honesty–Article #1	4
Clarity–Article #2	4
Print Size–Article #3	4
Actual Conditions–Article #4	4
Disparagement–Article #5	4
Standards–Article #6	5
Advertising to Children–Article #7	5
Photographs and Art Work–Article #8	5
Sponsor and Intent–Article #9	5
Identity of Seller–Article #10	5
Solicitation in the Guise of an Invoice–Article #11	5
Postage and Handling Charges–Article #12	5
Special Offers	
Use of the Word "Free" and other Similar Representations–Article #13	6
Negative Option Selling–Article #14	6
Sweepstakes–Article #15	7
Clear and Conspicuous Disclosure of Rules–Article #16	7
Prizes–Article #17	7
Chances of Winning–Article #18	7
Price Comparisons–Article #19	8
Guarantees–Article #20	8
Special Claims	
Use of Test or Survey Data–Article #21	8
Testimonials and Endorsements–Article #22	9
The Product	
Product Safety–Article #23	9
Product Distribution Safety–Article #24	9
Product Availability–Article #25	9
Fulfillment	
Unordered Merchandise–Article #26	10
Shipments–Article #27	10
Credit and Debt Collection	
Equal Credit Opportunity–Article #28	10
Debt Collection–Article #29	10
Use of Mailing Lists	
List Rental Practices–Article #30	11
Personal Information–Article #31	11
List Usage Agreements–Article #32	12
List Abuse–Article #33	12
Telephone Marketing	
Reasonable Hours–Article #34	12
Disclosure and Tactics–Article #35	12
Use of Automatic Electronic Equipment–Article #36	13
Taping of Conversation–Article #37	13
Telephone Name Removal/Restricted Contacts–Article #38	13
Fund Raising	
Commission Prohibition/Authenticity of Organization–Article #39	13
Laws, Codes and Regulations	
–Article #40	14
DMA Ethics Department	15

The Terms of the Offer

Honesty
Article #1

All offers should be clear, honest and complete so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent or unjustly disparaging of competitors should not be used.

Clarity
Article #2

A simple statement of all the essential points of the offer should be clearly displayed in the promotional material. When an offer illustrates goods which are not included or cost extra, these facts should be made clear.

Print Size
Article #3

Print which by its small size, placement or other visual characteristics is likely to substantially affect the legibility of the offer, or exceptions to it should not be used.

Actual Conditions
Article #4

All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time of the promotion. Claims regarding any limitations (such as time or quantity) should be legitimate.

Disparagement
Article #5

Disparagement of any person or group on grounds of race, color, religion, national origin, sex, marital status or age is unacceptable.

Standards
Article #6

Solicitations should not contain vulgar, immoral, profane, or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

Advertising to Children
Article #7

Offers suitable for adults only should not be made to children.

Photographs and Art Work
Article #8

Photographs, illustrations, artwork, and the situations they represent, should be accurate portrayals and current reproductions of the product, service, or other subject in all particulars.

Sponsor and Intent
Article #9

All direct marketing contacts should disclose the name of the sponsor and each purpose of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Identity of Seller
Article #10

Every offer and shipment should sufficiently identify the full name and street address of the direct marketer so that the consumer may contact the individual or company by mail or phone.

Solicitation in the Guise of an Invoice
Article #11

Offers that are likely to be mistaken for bills or invoices should not be used.

Postage and Handling Charges
Article #12

Postage or shipping charges and handling charges, if any, should reflect as accurately as practicable actual costs incurred.

6

Special Offers

Use of the Word "Free" and other Similar Representations

Article #13

A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free".

If a product or service is offered as "free", for a nominal cost or at a greatly reduced price and the offer requires the recipient to purchase some other product or service, all terms and conditions should be clearly and conspicuously disclosed and in close conjunction with the use of the term "free" or other similar phrase.

When the term "free" or other similar representations are made (for example, 2-for-1, half price or 1-cent offers), the product or service required to be purchased should not be increased in price or decreased in quality or quantity.

Negative Option Selling

Article #14

All direct marketers should comply with the FTC regulation governing Negative Option Plans. Some of the major requirements of this regulation are listed below:

Offers which require the consumer to return a notice sent by the seller before each periodic shipment to avoid receiving merchandise should contain all important conditions of the plan including:

a. A full description of the obligation to purchase a minimum number of items and all the charges involved and,

b. the procedures by which the consumer receives the announcements of selections and a statement of their frequency; how the consumer rejects unwanted items and how to cancel after completing the obligation.

7

Negative Option Selling (Continued)

The consumer should be given advance notice of the periodic selection so that the consumer may have a minimum of ten days to exercise a timely choice.

Because of the nature of this kind of offer, special attention should be given to the clarity, completeness and prominent placement of the terms in the initial offering.

Sweepstakes

Article #15

All direct marketers should abide by the DMA Guidelines for Self-Regulation of Sweepstakes Promotions. Articles #16 through #18 (below) contain the basic precepts of these Guidelines.

Clear and Conspicuous Disclosure of Rules

Article #16

All terms and conditions of the sweepstakes, including entry procedures, the number and types of prizes, the closing dates, eligibility requirements, and the fact that no purchase is required should be disclosed in a clear and conspicuous manner in the promotion.

Devices, check boxes, reply envelopes and the like used for entering the sweepstakes only should be as conspicuous as those utilized for ordering the product or service and entering the sweepstakes.

Prizes

Article #17

All prizes advertised should be awarded. Winners should be selected in a manner that ensures fair application of the laws of chance.

Chances of Winning

Article #18

No sweepstakes promotion, or any of its parts, should state or imply that a recipient has won a prize or overstate the chances of winning.

Price Comparisons
Article #19

Price comparisons may be made in two ways:

a. between one's price and a former, future or suggested price or
b. between one's price and the price of a competitor's comparable product.

In all price comparisons, the compared price against which the comparison is made must be fair and accurate.

In each case of comparison to a former, suggested or competitor's comparable product price, substantial sales should have been made at that price in the recent past.

For comparisons with a future price, there should be a reasonable expectation that the future price will be charged in the foreseeable future.

Guarantees
Article #20

If a product or service is offered with a "guarantee" or a "warranty", the terms and conditions should either be set forth in full in the promotion, or the promotion should state how the consumer may obtain a copy. The guarantee should clearly state the name and address of the guarantor and the duration of the guarantee.

Any requests for repair, replacement or refund under the terms of a "guarantee" or "warranty" should be honored promptly. In an unqualified offer of refund, repair or replacement, the customer's preference shall prevail.

Special Claims

Use of Test or Survey Data
Article #21

All test or survey data referred to in advertising should be competent and reliable as to source and methodology, and should support the specific claim for which it is cited. Advertising claims should not distort the test or survey results nor take them out of context.

Testimonials and Endorsements
Article #22

Testimonials and endorsements should be used only if they are:

a. Authorized by the person quoted,
b. Genuine and related to the experience of the person giving them and
c. Not taken out of context so as to distort the endorser's opinion or experience with the product.

The Product

Product Safety
Article #23

Products should be safe in normal use and be free of defects likely to cause injury. To that end, they should meet or exceed current, recognized health and safety norms and be adequately tested, where applicable. Information provided with the product should include proper directions for use and full instructions covering assembly and safety warnings, whenever necessary.

Product Distribution Safety
Article #24

Products should be distributed only in a manner that will provide reasonable safeguards against possibilities of injury.

Product Availability
Article #25

Direct marketers should only offer merchandise when it is on hand or when there is a reasonable expectation of its receipt.

Direct marketers should not engage in dry testing unless the special nature of that offer is disclosed in the promotion.

Fulfillment [10]

Unordered Merchandise
Article #26

Merchandise should not be shipped without having first received a customer's permission. The exceptions are samples or gifts clearly marked as such, and merchandise mailed by a charitable organization soliciting contributions, as long as all items are sent with a clear and conspicuous statement informing the recipient of an unqualified right to treat the product as a gift and to do with it as the recipient sees fit, at no cost or obligation to the recipient.

Shipments
Article #27

Direct marketers are reminded that they should abide by the FTC regulation regarding the prompt shipment of prepaid merchandise, the Mail Order Merchandise (30 Day) Rule.

Beyond this regulation, direct marketers are urged to ship all orders as soon as possible.

Credit and Debt Collection

Equal Credit Opportunity
Article #28

A creditor should not discriminate on the basis of race, color, religion, national origin, sex, marital status or age. If the individual is rejected for credit, the creditor should be prepared to give reasons why.

Debt Collection
Article #29

Unfair, misleading, deceptive or abusive methods should not be used for collecting money. The direct marketer should take reasonable steps to assure that those collecting on the direct marketer's behalf comply with this guideline.

Use of Mailing Lists [11]

List Rental Practices
Article #30

Every list owner who sells, exchanges, or rents lists should see to it that each individual on the list is informed of those practices, and should offer an option to have the individual's name deleted when rentals or purchases are made.

The list owner should remove names from its lists when requested directly by the individual, and by use of the DMA Mail Preference Service name removal list.

List brokers and managers should take reasonable steps to assure that list owners and compilers follow these list practices.

Personal Information
Article #31

All list owners, brokers, managers, compilers, and users should be protective of the consumer's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer, rental, sale, or exchange.

Information such as, but not limited to, medical financial, insurance or court data, and data that may be considered to be personal and intimate in nature by all reasonable standards, should not be included on lists that are made available for transfer, rental, sale or exchange when there is a reasonable expectation by the consumer that the information would be kept confidential.

Mailing lists should not be transferred or used except for marketing purposes.

Any advertising or promotion for lists being offered for transfer, rental, sale or exchange

12

should reflect a sensitivity for the individual on those lists. Promotional methods and language that tend to portray or characterize those individuals in a disparaging way should be avoided.

List Usage Agreements
Article #32

List owners, brokers, compilers and users should make every attempt to establish the exact nature of the list's intended usage prior to the sale or rental of the list. Owners, brokers and compilers should not permit the sale or rental of their lists for an offer that is in violation of any of the Ethical Guidelines of DMA. Promotions should be directed to those segments of the public most likely to be interested in their causes or to have a use for their products or services.

List Abuse
Article #33

No list or list data should be used in violation of the lawful rights of the list owner nor of the agreement between the parties; any such misuse should be brought to the attention of the lawful owner.

Telephone Marketing

(See Articles #9 and #27)

Reasonable Hours
Article #34

All telephone contacts should be made during reasonable hours.

Disclosure and Tactics
Article #35

All telephone solicitations should disclose to the buyer during the conversation the cost of the merchandise, all terms, conditions and the

13

payment plan and whether there will be postage and handling charges. At no time should "high pressure" tactics be utilized.

Use of Automatic Electronic Equipment
Article #36

No telephone marketer should solicit sales using automatic electronic dialing equipment unless the telephone immediately disconnects when the called person hangs up.

Taping of Conversations
Article #37

Taping of telephone conversations should not be conducted without all-party consent or the use of a beeping device.

Telephone Name Removal/ Restricted Contacts
Article #38

Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

Telephone marketers should not call telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Fund Raising

(See Article #26)

Commission Prohibition/ Authenticity of Organization
Article #39

Fund raisers should make no percentage or commission arrangements whereby any person

or firm assisting or participating in a fund raising activity is paid a fee proportionate to the funds raised, nor should they solicit for nonfunctioning organizations.

Laws, Codes, and Regulations

Article #40

Direct marketers should operate in accordance with the Better Business Bureau's Code of Advertising and be cognizant of and adhere to laws and regulations of the United States Postal Service, the Federal Trade Commission, the Federal Reserve Board, and other applicable Federal, state and local laws governing advertising, marketing practices, and the transaction of business by mail, telephone, and the print and broadcast media.

* * *

DMA Ethics Department

In its continuing efforts to improve the public confidence in direct mail and direct marketing, DMA sponsors several activities in its Ethics Department.

Ethical Guidelines are maintained, updated periodically and distributed to the field.

A Committee on Ethical Business Practices monitors the mails and direct offerings to the consumer and investigates complaints brought to its attention.

An Ethics Policy Committee initiates programs and projects directed toward improved ethical activity in the direct marketing area.

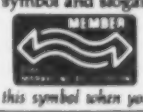
MOAL (Mail Order Action Line) handles consumer mail order complaints, MPS (Mail Preference Service) offers mail flow reduction to consumers, and TPS (Telephone Preference Service) offers to reduce the number of national commercial telemarketing calls consumers receive.

All ethics activities are directed by a full-time Director of Ethical Practices.

For additional information or to report questionable practices contact:

Director, Ethics and Consumer Affairs
Direct Marketing Association, Inc.
1101 17th Street, NW, Suite 900
Washington, DC 20036-4704
(202) 347-1222

Members of DMA proudly display this symbol and slogan:



"Look for this symbol when you buy direct."

Mr. Chairman and members of the Subcommittee on Federal Services, Postal Service and Civil Service: my name is Richard A. Barton, and I am Senior Vice President for Government Affairs of the Direct Marketing Association.

DMA is an international trade association with more than 3,000 corporate members involved in all aspects of direct response marketing.

Despite the diversity of our membership, the mail is the lifestream of a substantial number of our members. Because of this, DMA has a deep and abiding interest in promoting high ethical standards among its members and the mailing community at large.

The vast majority of those who use the mail to market goods are responsible members of the mailing community. To these companies and nonprofit organizations, ethical business practices and pro-active customer service policies are not only moral issues, but marketing concepts that must be adhered to in order to survive in today's competitive business world. They know that ethical business practices pay substantial dividends -- in repeat customers, members and donors.

It is a very small percentage of companies and nonprofit organizations which utilize direct response techniques to mislead the public. However, this small minority generates the overwhelming majority of complaints against direct marketing.

DMA shares the concerns of those present today about deceptive or misleading direct response offers for sound economic reasons. A bad experience with such fraudulent or misleading solicitations can negatively affect the consumer's perception of ordering products by direct response methods, thereby harming all legitimate mailers. We, therefore, have a keen interest in any proposed legislation which could deter such fraudulent activity, without harming the legitimate marketers' right to conduct their businesses in an ethical manner.

This testimony will cover the two primary issues which we were asked to address. First, we will review the efforts of the direct mailing community to develop strong guidelines for ethical practices and the efforts to enforce these guidelines. Included will be a brief outline of the consumer affairs programs promoted by DMA. Second, we will offer our comments and suggestions on S. 273.

Self-Regulation Efforts

Self-regulatory programs for both consumers and businesses can be the best defense against deceptive mailing practices. The Association is proud of its 20-year history of reviewing industry practices and its development of guidelines for ethical behavior in several areas, including list usage, broadcast and print advertising, personal information protection, and telemarketing. As an example of how the guidelines are constantly updated, DMA is currently developing guidelines for sweepstakes advertising. These guidelines will be available in the spring. This may be of particular interest to this subcommittee, some members of which have expressed concern about the use of misleading or fraudulent sweepstakes to promote some nonprofit organizations and commercial ventures.

DMA's promulgation of guidelines for various segments of direct marketing exemplify its general philosophy that effective self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing

techniques and economic and social conditions. Further, self-regulation encourages widespread usage of sound business practices.

DMA's "Guidelines for Ethical Business Practice" were developed to provide members of the direct response industry with principles of acceptable conduct in operating their businesses. A copy of the Guidelines is provided for your convenience. Please note that there are 40 articles in the Guidelines, several of which have been applied to envelope copy and misrepresentations in advertising. The Guidelines provide the foundation of the Association's formal investigation into various charges of ethical misconduct.

The most important guideline and the foundation of all our ethics programs is Article #1 (Honesty). It states that:

> "All offers should be clear, honest and complete so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to substantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudulent or unjustly disparaging of competitors should not be used."

This article exemplifies the industry's commitment to producing ethical offers that the consumer can clearly understand.

DMA is well aware that guidelines without an enforcement mechanism cannot be truly effective. Accordingly, the industry sponsors not one but two committees which deal solely with the ethical conduct of the direct marketing industry. The committees are composed of representatives from specific industry segments to ensure that all interests are fairly represented.

The Committee on Ethical Business Practice is on the front line of DMA's efforts to promote high ethical standards. Meeting 10 times a year, the committee investigates specific allegations of unethical conduct, and, if it finds a particular practice to be in violation of the guidelines, contacts the company to persuade it to cease whatever activity is in violation.

Most companies are more than responsive to the committee's concerns. The committee's high success rate in resolving the ethical violations is an example of the industry's commitment to self-regulation.

If the committee believes that a law has been violated, and the company is not responsive to its concerns, then the case files are referred to the appropriate regulatory agency for review.

A second committee, the Ethics Policy Committee, is charged with developing appropriate guidelines and keeping them up to date, providing policy direction for DMA's Ethics Department, as well as sponsoring cooperative efforts with state and federal consumer and regulatory agencies.

The Ethics Policy Committee also conducts studies relating to technical practices throughout the industry and develops ideas to promote DMA's two name-removal programs, the Mail Preference Service (MPS), a service which assists consumers in decreasing the

amount of nationally-based advertising mail they receive, and the Telephone Preference Service (TPS), which helps consumers eliminate unwanted telemarketing solicitations.

The Mail Preference Service was begun in 1972. To date, more than 800,000 consumers have availed themselves of the service. The Telephone Preference Service is a newcomer. To date, more than 100,000 have added their names to its roles. Expanded promotion of both programs is planned. Consumers wishing to have their names removed from national mailing and telemarketing lists should contact the Direct Marketing Association, 6 East 43rd Street, New York, New York 10017.

In addition to the name removal programs, DMA's Mail Order Action Line (MOAL) can help consumers who have fallen prey to unethical offers. MOAL was established in 1974 to mediate complaints involving direct response marketing techniques. Through MOAL, consumer complaints are referred to the appropriate department within a direct response company. Complaints which appear to involve a deceptive marketing technique are referred to a federal or state regulatory agency so that the complaint can be handled in the most efficient manner possible. MOAL staff will also advise consumers of their rights under the various regulations governing direct response marketing.

The industry is well aware that an informed consumer is less likely to fall victim to misleading or deceptive offers. Accordingly, the Association has developed several informational pamphlets which address specific industry segments. While many of these pamphlets may emphasize the convenience of direct response shopping, major segments are devoted to consumer protection tips.

Of particular interest today is our "Make Knowledge Your Partner in Mail Order Shopping." This booklet was produced in 1981 in cooperation with the Federal Trade Commission. The booklet is totally devoted to consumer protection tips. Since its development, DMA has distributed over 11,000 copies to consumers and consumer agencies.

DMA recognizes that in order to be truly effective, these programs and self-regulatory concepts must be advertised, and we make every effort to do so. National broadcast and print media regularly carry references about the programs. Action Line Reports, often developed with the assistance of government agencies, address specific topics of concern to consumers and the direct marketing industry. The reports are mailed on a regular basis to more than 500 consumer reporters across the country who use the information to inform their readers. One of the most well-received reports dealt with misleading mailings to the elderly. We estimate that the valuable information we provided was picked up by over 25 newspapers with a total circulation of over three million people. We are proud of the difference the industry can make in the fight against deceptive mail.

In addition to press releases, DMA works closely with government and consumer agencies in disseminating information on its programs and services to the local level. For example, the Ethics Policy Committee recently mailed the Ethics and Consumer Affairs Information packet to 190 local Better Business Bureaus across the country. The packet contains information on DMA's ethical business guidelines, consumer programs, and examples of our business and consumer publications. Several bureaus have contacted DMA since the mailing to request additional information. Other consumer agencies that routinely request assistance through DMA are mailed a complete packet of information as well.

The most valuable means by which information on our programs is disseminated to the local level is through the Dialogue series. A "brainchild" of the Ethics Policy Committee,

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Dialogues are regional meetings designed to facilitate increased visibility and communication between the direct marketing industry and consumer affairs and regulatory professionals. Participants in the meeting discuss the important issues of concern and suggest ways in which both sides can best serve the public.

These meetings, along with the activities of the Committee on Ethical Business Practice and the Mail Order Action Line, have kept DMA on the forefront of consumer issues that affect our industry. When these issues are identified, existing programs are modified, and new ones developed as issues arise.

Comments on S. 273

DMA shares the Subcommittee's concern about envelopes which bear a strong resemblance to government envelopes containing government documents or checks. Over the years, the Committee on Ethical Business Practice has investigated 13 cases concerning government "look alike" envelopes and solicitations. Some mailers had ceased the practice by the time of the committee's involvement. Others stopped when we brought the matter to their attention. A few, of course, paid no attention. However, we have good reason to believe that we have had strong influence among mailers to stop or significantly alter the practice. One case was referred to the Postal Inspection Service because the committee believed a violation of law had occurred.

The committee's rules on confidentiality prevent me from discussing specific cases. However, I will be happy to answer questions about their general nature.

The committee's position has been that the use of a "look alike" envelope alone is not necessarily an unethical practice, as long as it does not violate the law in some other way. It is the use of these envelopes in conjunction with misleading material inside which cause a particular mailing piece to be a violation of DMA's guidelines. For example, a government "look alike" envelope with what is stated to be a check in its window, but which is no more than a discount coupon, has been held to violate our guidelines.

As I stated last year before this Subcommittee, while DMA endorses S. 273 in principle, it is concerned that such legislation, directed at a small minority of mailers, may have a negative impact on the mainstream direct marketer. Envelopes and imaginative envelope copy are the very lifeblood of the direct marketing industry. No sale can be made, no funds can be raised, no votes solicited, no cause endorsed, unless the envelope is opened and the contents perused. We are extremely wary of any legislation which regulates the copy on an envelope, even in such a good cause as this.

We agree, however, that some disclaimer may be necessary if a piece is designed to mislead a person into believing it is an official government communication. We would suggest, however, that the best place for such a disclosure is inside the envelope. Regardless of where Congress ultimately decides to put the disclaimer, we would suggest that specific language not be written into the bill, but left up to postal regulation. One reason for this is that phrases do not always convey the message intended. For example, there is some evidence to indicate that some consumers tend to skip over words with negative connotations. Therefore, a statement that an envelope does not contain a government document or is not endorsed by a government agency may be read oppositely by many. The point here is that the Postal Service should be given the maximum flexibility to draft the language of any disclaimer.

We therefore urge caution on the Subcommittee in considering any legislation that would unduly restrict commercial free speech. Any effective means to avoid confusion or deception should be permitted and not be limited to any particular language when alternative or equally effective measures can also achieve the Subcommittee's objective.

In addition to these general comments, I would like to make four specific comments about S. 273:

1. Federally chartered corporations such as the Disabled American Veterans should be excluded. They have a unique relationship to the federal government as private organizations. It appears that the language, "unless such nongovernmental entity has such expressed connection, approval or endorsement," in several parts of the bill covers this concern. However, the language is unclear.

2. The bill exempts matter contained in publications, "for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated he desires to receive." However, this does not include publications carrying both advertising and editorial matter which are distributed free to the public. It should, since the same considerations apply to these publications as apply to subscriber publications.

3. Business-to-business catalogs that sell business services which may include packages of various government forms should also be exempt. Leaders in the drafting of the bill in both the House and the Senate have agreed that there was no intention of covering legitimate business services of this nature. It is, however, unclear whether or not this type of solicitation is covered in S. 273.

4. The language "reasonably could be interpreted as implying" a government connection is vague. We would suggest that everywhere such language appears, it be replaced by language making it clear that the seal, insignia, etc. should be used in "such a manner as to deceive" or similar language.

Senator Heinz mentioned upon introduction of S. 273 that there were some concerns which would be addressed after the bill's introduction and the ensuing hearings. We expect that the above four are among these concerns.

We would be happy to work with you and the Postal Service to help ensure that any required language resulting from legislation or regulation not hurt the interests of legitimate direct marketing firms, or cross that fine line into government control of the creative process and infringement of First Amendment rights.

Thank you, Mr. Chairman. It was a pleasure to appear here today.

ACTION LINE REPORT

FOR IMMEDIATE RELEASE

August 5, 1987

--ACTION LINE ALERT--

MISLEADING FUND SOLICITATIONS
PLAY ON ELDERLY'S FEARS

A 72-year-old widow, dependent on Social Security benefits for her income, finds in her mailbox an official-looking brown envelope marked "Urgent." She nearly panics on reading the letter inside from a Washington, DC organization: "Social Security and Medicare are about to collapse; please send $10 to help us fund the fight to keep your benefits coming."

Thousands of senior citizens are frightened by mailings of this type from several organizations with no official U.S. government connection and are expected to contribute as much as $40 million to one of them this year. Characteristically, funds raised by these groups are supposedly used to lobby against "powerful forces" who "want to destroy Social Security and Medicare."

These activities have come to the attention of the Direct Marketing Association (DMA), which has been dedicated to promoting honest business practices in all types of sales and solicitation by mail since 1917.

- more -

FROM Linda Kugler

dma
DIRECT MARKETING ASSOCIATION, INC.
6 EAST 43RD STREET
NEW YORK, NY 10017
212/689-4977

Equally dedicated to informing and protecting consumers, DMA investigated the matter out of concern for older Americans, who represent nearly 27 percent of U.S. mail order buyers--and a number of whom rely heavily on mail order shopping convenience for health reasons.

DMA also discovered that other organizations, also with no U.S. government connection or sanction--but all with official-sounding titles incorporating words like "bureau," "administration," "committee," and "protection"--charge a fee to provide, by mail, such services as a verified statement of Social Security earnings or a permanent plastic Social Security card. (It's implied that a plastic card is "required.") This type of service offering is misleading, and legislation against it has been introduced into the House of Representatives.

Fears Unfounded

Deceived by scare tactics and impressive stationery, many senior citizens send in contributions to fraudulent or questionable fund-raising groups, not realizing that the U.S. government's Social Security and Medicare funds are not in the financial danger they were perceived to be in during the 1970s and that the Social Security Administration provides services citizens need free of charge.

"Social Security and Medicare funds are sufficient to pay benefits on time well into the next century, even based on our most pessimistic economic and demographic assumptions," says Dorcas Hardy, commissioner of Social Security. A General Accounting Office report notes that the Medicare fund is not only healthy now, but that an increase in revenue of almost 60 percent is projected between now and 1992.

Appearances Can Be Deceiving

Congressmen and other government officials have determined that fund-raising groups playing upon the elderly's unfounded fears may spend up to 80 percent of contributions generating solicitations for more money or paying high salaries. Consumers are advised to beware of:

* Brown envelopes that look like Social Security check envelopes, and/or bearing symbols that closely resemble the U.S. official seal. Some even say "Buy U.S. Savings Bonds."

* Groups masquerading as government agencies with titles like "official" or "national" and incorporating the words "Social Security" and "Medicare."

* Envelopes marked "Urgent" or "Time-dated legal documents."

* Melodramatic accusations that the government or "powerful forces" have "robbed" or "illegally invaded" Social Security trust funds.

* Disclaimers in very fine print, i.e., "this organization has no connection with the U.S. government."

* Sweepstakes offers depicting a Social Security card as a sweepstakes ticket and requiring an entry fee.

* Implications that a plastic Social Security card offered for a fee by the soliciting group is "required" by the U.S. government. There is no such requirement.

* Solicitations in the form of a reminder to pay an insurance premium, or offers of "insurance policies" that will safeguard the policyholder's Social Security or Medicare benefits.

* Ads for guidebooks to "government giveaway" programs supposedly unknown to the general public--for instant cash, free cars, etc.

Free Services from Social Security

The Direct Marketing Association is currently working with the Social Security Administration (SSA) to draft and distribute a question-and-answer fact sheet about the Social Security Administration and its functions. FREE OF CHARGE, SSA will:

1. Provide a new Social Security card or replace a lost card.

2. Change a name, address or correct an error.

3. Help with applying for retirement, disability, Medicare or Supplemental Security Income benefits.

4. Provide an estimate of Social Security benefits.

5. Provide a summary statement of earnings under Social Security.

6. Check records to verify information. (They are confidential, and inaccessible without an individual's authorization).

7. A variety of pamphlets explaining how to qualify for benefits, how to estimate retirement benefits, when benefits may be taxed, etc.

Usually a simple phone call to the nearest local Social Security office will suffice. Mailings suspected of being solicitations of money by false representation should be reported to the Chief Postal Inspector, U.S. Postal Service, Washington, DC 20260-2112.

- 30 -

Mail Preference Service
Direct Marketing Association, Inc.
6 East 43rd Street
New York, NY 10017

MAIL PREFERENCE SERVICE

DMA is the oldest and largest trade association of over 3000 direct mail firms, catalogers, publishers, retailers and service organizations.

Experience has shown us that most people enjoy receiving information in the mail about subjects that interest them or products and services they may need or want. Millions of people spend billions of dollars annually to purchase products or services through the mail.

However,we also know that some people do not like to receive advertising mail. Since 1979, we have been offering a service to respond to some consumers desire to receive less mail. Computers have made it possible for many national advertisers to remove specified names from their lists, and many organizations that participate in the Mail Preference Service are eager to do so upon request.

If you would like to receive less national advertised mail, use the coupon below to let us know. We'll try to stop as much of this mail as possible by advising mailers of your wishes.

After a few months, Mail Preference Service will significantly reduce the amount of direct mail solicitations you receive, although many small local organizations may not participate in the program. If you continue to receive mail after this period, DMA suggests that you write directly to the organization to request name-removal.

_____ Please remove my name from commercial mailing lists.

_____ Please remove my name from non-profit mailing lists.

Name _____

Street _____

Apt. _____ City _____

State _____ Zip Code _____

Variations of my name _____

_____

_____

_____

DMA CONSUMER TIPS:
THE MAIL PREFERENCE SERVICE

WHO SPONSORS THE MAIL PREFERENCE SERVICE?

The Mail Preference Service (MPS) is a free consumer service sponsored by the Direct Marketing Association (DMA).

DMA is the oldest and largest national trade organization serving the direct marketing industry. Members of DMA market goods and services directly to consumers using such media as direct mail and catalogs, telemarketing, magazine and newspaper ads and broadcast adverting.

WHAT IS THE PURPOSE OF MPS?

Most people enjoy receiving information in the mail about subjects that interest them or products and services they may need or want. Some consumers, however, would like to receive less advertising mail. MPS is designed to assist those consumers in decreasing the amount of national commercial mail they receive at home.

HOW DO CONSUMERS REGISTER WITH MPS?

Consumers may register their names, including spelling variations, with the name removal file by writing to:

Mail Preference Service
Direct Marketing Association
6 East 43rd Street
P.O. Box 3861 Grand Central Station
New York, NY 10163

WHAT HAPPENS AFTER CONSUMERS REQUEST NAME REMOVAL?

Consumers' names and addresses are registered on a "delete file" which is made available to business subscribers on a quarterly basis. Names are maintained on the file for five years.

Registrants typically notice a decrease in their mail volume approximately three months after their names are registered with the service.

WHAT HAPPENS WHEN THE MPS REGISTRANT MOVES TO A NEW ADDRESS?

Consumers should write again to DMA to register the new address and ask that the old one be deleted.

CAN CONSUMERS WHO LIKE TO SHOP BY MAIL LIMIT THEIR MAIL VOLUME?

Yes. Consumers should inform their favorite mail order company that they wish to be kept on an "in-house" list. That way, they will continue to receive the desired mailings, but their names will not be released to other direct marketers.

WILL REGISTRATION WITH MPS MEAN AN END TO ALL ADVERTISING MAIL?

No. MPS Registrants will probably continue to receive mail from companies with which they do business on a regular basis. In addition, registrants may continue to receive mail from many local merchants, professional and alumni associations, and political candidates and office holders, as well as mail of a business-to-business nature.

WHAT IF A CONSUMER PREFERS MORE MAIL?

In addition to the name-removal service, the DMA also provides information for consumers who like to shop by mail. The "Great Catalog Guide," a descriptive listing of catalog companies by catagories, is available for a $2.00 postage and handling charge. Consumers may request the "Guide" by writing to the DMA New York office.

DMA also offers a free consumer pamphlet, "Shopping at Home," which explains the convenience of shopping by mail.

RELEASE DATE: AUGUST 1988

STATEMENT OF MARK SILBERGELD

ON BEHALF OF

ALLIANCE OF NONPROFIT MAILERS

BEFORE THE

SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE & CIVIL SERVICE

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

FEBRUARY 28, 1989

Mr. Chairman and Members of the Subcommittee, I am Mark Silbergeld, Director of the Washington Office of Consumers Union of the United States and currently the President of the Alliance of Nonprofit Mailers. It is principally in the latter capacity that I appear before you today. With me is the Executive Director of the Alliance, Dan Doherty.

The Alliance of Nonprofit Mailers is a nonprofit corporation organized under the laws of the District of Columbia for the purposes of providing a forum for nonprofit and charitable organizations entitled to and, in fact, entering mail at the special nonprofit rates; developing and exchanging knowledge on the proper use and management of the nonprofit mailing privilege; educating the citizenry on the role of that privilege and its importance to our society, and finally in formulating and articulating socially beneficial policies concerning the availability, use and management of nonprofit postal rates.

In addition to representing its members and similarly-situated organizations in forums such as this hearing, the Alliance regularly is an active intervenor in proceedings before the Postal Rate Commission and, when necessary, the United States courts. It also is represented on other postal-related organizations, such as the Mailers Technical Advisory Committee.

Consumers Union, publisher of Consumer Reports, is a nonprofit

organization established in 1936 to provide consumers with information on goods, services, health, and personal finance; and to initiate and cooperate with individual and group efforts to maintain and enhance the quality of life for consumers.

As the Subcommittee can see from those purposes, both the Alliance and Consumers Union have considerable interest in the subject of today's hearing.

The Alliance, for its part, takes very seriously the purpose of fostering appropriate use of the reduced rate privilege by its members and other mail users entitled to it. Indeed, the Alliance is deeply concerned that when fraud, deception or other abuses of the nonprofit rate privilege occur the entire nonprofit community is damaged. That, indeed, can be the case even when such mailings are technically legal yet invite criticism.

Consumers Union, as a nonprofit mailer, shares the Alliance position. But CU, in addition, by the nature of its charter, also has in mind the interests of consumers, including those who receive offers and solicitations through the mail. Indeed, Consumer Reports has from time-to-time reported on what the editors have viewed as misleading direct mail. In the past year, two examples were noted on the page titled "Selling It." Both happened to be commercial solicitations that relate to the purpose of the bill under consideration today, S.273. I

have appended these two examples to my testimony, Mr. Chairman. Although those examples were commercial, I believe we all know that nonprofit organizations, too, have on occasion indulged in marketing methods that are not substantially different in nature.

With that preface, Mr. Chairman, let me say that we of the Alliance of Nonprofit Mailers, and I include my own organization under that umbrella, applaud the purpose of S.273. Indeed, its purpose is the rather modest and reasonable one of preventing mailers from falsely claiming or implying any Federal Government connection, approval or endorsement.

Our approval of the purpose, however, does not mean that we are without concern with respect to the bill before us.

One of our concerns is a common one that repeats itself virtually anytime laws are proposed that will eventually be subject to interpretation by such a large, widespread bureaucracy as the U.S. Postal Service. This requires that the statutory language be as carefully drawn as possible to achieve its purpose and not lend itself to a broad range of interpretations.

We believe, Mr. Chairman, that the laudable purpose here is to restrict deception of mail recipients. The bill goes further in that it proposes to legislate against "confusion" and "mistake." That, we

believe, is asking a lot from any piece of legislation and believe that, since the target is deception that is either intentional or could clearly be forseen by a reasonable advertiser or solicitor, the measure might use some tightening-up in that regard. We understand that our colleagues from the Third-Class Mail Association have a more specific recommendation in this respect and we commend it to your serious consideration.

That proposal also could help to alleviate another concern. Organizations, whether they be for-profit commercial enterprises or nonprofit organizations, have a great deal of time, effort and money invested in their identifying symbols, trademarks and logos. In some cases, and this perhaps applies especially to a specific class of Alliance members who do, in fact, have recognized relationships with Government departments or agencies, those logos and even their very names could potentially be construed as confusing or apt to cause mistaken impressions by the uninitiated.

Could, for example, the use of an eagle, an American eagle, in an organization's logo or trademark cause of problem under this bill? We don't believe that is intended and we surely want to guard against it. Among the Alliance's members are such organizations as the Association of the U.S. Army, Disabled American Veterans, National Association for Uniformed Services, Navy League, Paralyzed Veterans of America and Society of American Military Engineers.

For that matter, Mr. Chairman, it is highly likely that there are people who believe that the American Red Cross is a Federal agency. It is not, of course, though its voluntary activities, as is so often the case in the nonprofit sector, fulfill a function that otherwise would burden governments at all levels.

We do believe that organizations such as these, and others with legitimate connections to the Federal Government, should not be subject to burdensome regulation or, in the alternative, be required to declare their innocence of a deceptive intent that is nonexistent.

We thank the Subcommittee for this opportunity to share our views on S.273 with you. In summary, we support the purpose of the proposed legislation but ask that you carefully consider the potential impact of the bill as presently drafted before rushing to passage. Thank you.

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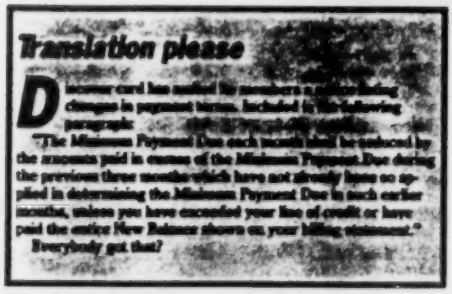
Selling it

Translation please



Discover card has mailed its members a notice stating changes in payment terms. Included in the following paragraph:

"The Minimum Payment Due each month shall be reduced by the amounts paid in excess of the Minimum Payment Due during the previous three months which have not already been so applied in determining the Minimum Payment Due in such earlier months, unless you have exceeded your line of credit or have paid the entire New Balance shown on your billing statement."

Everybody get that?

An Ultrasonic paperweight?

The product in the ad below is called the *Tem-Pest EL 130*, and it's advertised as an "Ultrasonic Soundwave Control Device." It will set you back $9.87 plus $3 shipping and handling.

What does it do? Hard to tell. According to the ad, it puts out "an incredible 130 decibels of ultrasonic sound pressure"—clearly, something no self-respecting household should be without. And if you're still not convinced you need one, the ad hastens to add that the devices "are not copies . . . . They are identical to those that you have seen nationally advertised on television . . . for many times the price."

Sounds just great. But what does it do?

"We cannot go into further details here," says the ad, "but we can tell you that this product does EXACTLY what the others do!"

To find out exactly what that is, we phoned the company, SLM, in Roanoke, Va.

"It's for bugs and rodents," said the SLM customer-relations employee.

We asked, "What does it do for bugs and rodents?"

She answered, "It's supposed to keep them away."

As we've reported in the past, university and Government researchers consider ultrasonic pest repellents of no use against insects and probably of little or no use against rodents.

NOTE TO READERS

Readers can help CU memorialize the excesses of the world of advertising and merchandising in this feature by sending suggestions to Consumers Union, Dept. AM, 256 Washington St., Mount Vernon, N.Y. 10553. Selling it items only, please. Sorry, but submissions can't be acknowledged.

The incredible shrinking towels

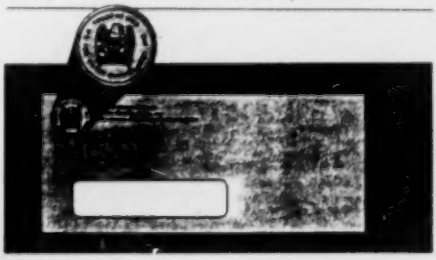
One definition of the word "bounty" is "something given generously." But that definition doesn't seem to apply to Procter & Gamble's *Bounty* paper towels.

An East Coast reader sent us wrapper panels from five rolls of *Bounty* towels, which she said were bought consecutively. Each includes a little less of the product than the one before.

The first lists the contents as 100 sheets, 11.05 × 11.1 inches, for a total of 85 square feet. On the second wrapper, the number of sheets remains at 100, but the sheets have shrunk to 11 × 11 inches, or 84 square feet in all. On succeeding wrappers, the number of sheets drops to 92 (77 square feet), 88 (73 square feet), and 84 (70 square feet). The price hadn't dropped, according to our *Bounty*-hunter/correspondent.

When we asked a company representative about the towels' disappearing act, we were told it was "to minimize future price increases." Sounds to us more like a way to *conceal* price increases.

A rather similar case involves *Wet Wipes* moistened towelettes marketed by Target Stores. The old package contained 160 towelettes measuring 5½ × 9 inches. On the new package, the 160 has a slash through it, and a new number, 175. A bright yellow banner proclaims "15 free extra cloths inside." Trouble is, the towelettes have shrunk to 5½ × 8 inches, for a net loss of 220 square inches.



Official correspondence

Folks used to seeing "in God we trust" on the U.S. Government seal may be amused by the quaint variation in the corner of this envelope from the United States Federal Water Quality Association, Inc. The letter inside offers a "free home water analysis" for contaminants. A phone call disclosed that the company just happens to sell water-purifying devices.

An official-looking brown envelope marked "Jury Selection Committee" and "Penalty for Illegal Use" was sent to a reader by the Washington Legal Foundation, a political group. Inside was a short questionnaire and a request for a donation.

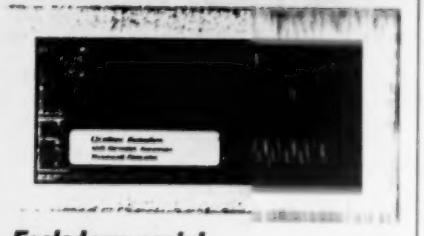
Another official-looking envelope was boldly marked "confidential credit report." It was a sales pitch for credit cards from the Colonial National Bank of Wilmington, Dela.

Schlock it

A failure to communicate

A CU reader sent us this sticker from a package of Kretschmer sausages. The product normally sells for $1.09, and our reader's letter to "the 99 cents, who wouldn't buy one?"

Our reader bought one. Then he peeled off the sticker and read the details on the back. To collect, he'd have to send not one but two proofs of purchase to Irwin Kretschmer. He'd then receive two 49-cent coupons, each good on a future purchase of a package of Kretschmer Breakfast Sausages. In short, he'd have to buy six packages to recoup his dollar.



Fooled you again!

Above are just two of the hundreds of examples readers have sent us of envelopes that try to startle you into opening them.

The VERY IMPORTANT, DATED MATERIAL in the envelope at top and the Warrant of Appearance in the one below it are in reality simply notices that the recipient was something of they go to a resort (Treetops Vacation Villas, in the Pocono Mountains; Hill Country Resort, outside of Austin) to collect it. While there, of course, they get to tour the resort and presumably listen to a sales pitch for buying shares or condos.

OA & S

And you thought gasoline was expensive

A reader recently called our attention to a packet of *Clairol Loving Care Creme After Rinse*, priced at 99 cents—for .07 fluid ounces. Committed as we are to unit pricing, we hauled out the trusty calculator. By the ounce, the Clairol product costs $14.14; by the pint, $226.28; by the quart, $452.57; by the gallon, $1810.29. Gasoline costs about $1 a gallon. Its major ingredient is oil, or "liquid gold." The ingredient listed first on the Clairol label is water.

A bargain for storks

A social worker sent us a sales pitch she'd received from Uniroyal Industries in Middlebury, Conn. The product advertised was The Caregiver, a shoe that "prevents tender feet and toes." According to the "informational enclosure" with the shoe, the more shoes you bought, the less you paid: at quantities of 12 through 18, for example, the price was $10.19; for 30 through 99, it dropped to $9.11.

The social worker wrote us that she phoned Uniroyal to place an order for her nursing home, only to learn that the quoted prices were per shoe rather than per pair.

NOTE TO READERS

Readers can help CU memorialize the excesses of the world of advertising and merchandising in the feature by sending suggestions to Consumers Union, Dept. AM, 256 Washington St., Mount Vernon, N.Y. 10553. Selling it items only, please. Sorry, but submissions can't be acknowledged.

Testimony

Nonprofit Mailers Federation
Washington, DC

Before the

Subcommittee on Federal Services,
Post Office & Civil Service
Committee on Governmental Affairs
U.S. Senate

Mr. Chairman, Members of the Committee: I am Robert Brown, Director of Development for the Blinded Veterans Association (BVA), a congressionally chartered, nonprofit veterans service organization. Founded in 1945 and chartered by Congress in 1958, BVA is dedicated to advancing the interests of America's blinded veterans.

I am also appearing this morning on behalf of the Nonprofit Mailers Federation, of which the BVA is a member. The Federation is a national grassroots network of nonprofit organizations--charities, churches, colleges, and children's homes--that use the mails to communicate with donors and the public.

Accompanying me is Carolyn A. Emigh, Economic Counsel to the Nonprofit Mailers Federation. She is prepared to respond to any technical questions the Committee may have concerning my testimony.

We are pleased to be here today to give the Committee the benefit of our views with respect to S. 273, the Deceptive Mailings Prevention Act of 1989.

The Nonprofit Mailers Federation is unalterably opposed to any mailer--nonprofit or for-profit--that uses deception as a technique to induce a recipient to open a piece of mail or that falsely misrepresents the identity of the mailer or contents of the mail piece.

In drawing the line as to what is deceptive, the Committee has a very difficult task: It must craft clear standards that respect the First Amendment, do not stifle creativity needlessly, and minimize the discretion of local officials at postal acceptance units so that they do not detain legitimate mail.

We have two principal concerns with S. 273 that I shall summarize.

1. Congressionally chartered nongovernmental entities

The two operative subsections of the bill would not apply to the solicitation of a nongovernmental entity that has an "expressed connection" with or "approval or endorsement" by the Federal Government.

We respectfully inquire whether this language would exempt solicitations of congressionally chartered nonprofit organizations. If so, it would eliminate the concerns of several members of the Nonprofit Mailers Federation, including that of my organization, the Blinded Veterans Association.

To understand our concern, you need to know that BVA conducts two major outreach programs: the Field Service Program and the Outreach/Employment Program. These two programs are carried out

by blinded veterans working in the field who are skilled in locating blind and visually impaired veterans and motivating and assisting them to take steps to help overcome the impact of blindness.

Field staff assist to obtain services and benefits for blinded veterans, such as entry into blind rehabilitation or job training programs, access to prosthetics and visual aids, and help with filing claims for compensation and benefits or finding jobs.

BVA staff work closely with a variety of Federal, state, and local government agencies in its efforts to assist blinded veterans. Among the Federal agencies with which we work are the Veterans Administration, the Department of Labor, the Social Security Administration, and the Small Business Administration.

You also need to know that BVA raises the greater part of its annual operating finds through a direct mail fund raising program. In calendar 1989, BVA plans to mail more than seven million letters to donors and prospective donors to seek donations to help keep BVA veterans service and information programs functioning.

As the Director of Development, I am directly involved in preparing copy and approving artwork for BVA direct mail solicitations. In the preparation of copy, I frequently refer to Federal agencies, such as the Veterans Administration, the Social Security Administration, and the Small Business Administration as well as state and local agencies. This is absolutely necessary

in order to tell the story of what BVA is doing and has done to assist blind veterans.

Currently, BVA operates its Outreach/Employment Programs with funds provided through a JTPA Title IV-C grant, thus establishing a "connection" with the U.S. Department of Labor; however, this is not the case with regard to references made in our direct mail letters to the Veterans Administration, the Social Security Administration, and the Small Business Administration.

A postal official at a local acceptance unit "could reasonably interpret or construe" such a reference "as implying a connection" with or "approval or endorsement" by the Federal Government.

If a congressional charter by itself constitutes an "expressed connection" with or "approval or endorsement" by the Federal Government, we urge the Committee to spell that out. This should help to minimize the discretion of postal officials at local acceptance units so that they do not detain mail that the Committee does not intend to label as deceptive.

2. Decentralized decision making at the Postal Service

With respect to mail of all other nonprofit organizations that might use a term, symbol, or design that could be reasonably interpreted or construed as implying a connection with or approval or endorsement by the Federal Government.

For example, could a local postal official "reasonably construe" a solicitation that is mailed in an envelope made from

brown Kraft paper with a design that features the dome of the Capitol or an eagle as "implying a connection with the Federal Government?"

Suppose the carrier envelope is also stamped with the imperative: Buy U.S. savings bonds. Could a local postal official "reasonably construe" that combination of design, color, symbol, and terminology "as implying any Federal Government connection, approval or endorsement in...a manner that may cause confusion, mistake, or deception?"

The problem of the vagaries of local interpretation is our other major concern with S. 273. Since the U.S. Postal Service instituted a system of decentralized decision making, inconsistent decisions abound between local post offices and within the same post office when there is a turnover in personnel.

Top postal management admits that there is a problem with some local postmasters who operate their post offices as though they were their own private "fiefdoms," to use management's word.

The Postal Service provides for an appeal procedure; however, it is time consuming and expensive, particularly for a nonprofit organization. If the issue involves acceptance of mail and the mailing is time sensitive, the degree of loss sustained by the mailer can be staggering.

S. 273 illustrates how important it is in terms of protected speech for Congress to craft a clear delineation for the Postal

Service between what is a federal look alike and censorship.

We would like to point out the paramount importance of the carrier envelope to the solicitation of charitable contributions which, the Supreme Court has ruled repeatedly, is protected speech.

In the landmark Schaumburg case, the Supreme Court squarely held that charitable solicitations "involve a variety of speech interests...that are within the protection of the First Amendment."

The Court goes on in the Schaumburg decision to state that regulation of a solicitation "must be undertaken with due regard for the reality that solicitation is characteristically intertwined with informative and perhaps persuasive speech...and for the reality that without solicitation the flow of such information and advocacy would likely cease."

A charity that depends on the mail to communicate with its donors and the public in its effort to raise funds does not even get the opportunity to be persuasive if the recipient does not open the envelope.

We are not suggesting that the Committee should not pursue this legislation; we want to see direct mailers who try to deceive weeded out and apprehended as much as the Committee does..

Even with the purest of motives, as is the case with S. 273, the Court instructs the government to tailor regulation narrowly

to achieve the government's interest to prevent fraud.

As the Court instructed in NAACP v. Button, "precision of regulation must be the touchstone in an area so closely touching our most precious freedoms."

That is why we commend alternative language to the Committee. In lieu of the phrase in S. 273, "that reasonably could be interpreted or construed as implying..." a Federal Government connection, approval or endorsement, we offer the following standard: "which so resembles as to deceive." Attached to my testimony is the full text of Subsections (f) and (g) with the alternative language.

While this alternative standard does not eliminate the discretion of a local postal official fully, it is more narrowly tailored to prevention of deception. Further, as it is the standard in trademark law, there is a body of legal interpretation on which to draw.

Further, we respectfully request that the Committee consider a mandate to the Postal Service to establish a hot line--a 800 phone and fax number--so that in those instances where postal headquarters sides with the mailer, the mail will be accepted locally without the necessity of the mailer going through the otherwise costly and time consuming appeal procedure that ultimately brings the case to headquarters anyway.

This concludes our abbreviated prepared remarks. We would be delighted to respond to any questions that the Committee may have.

S. 273 - Suggested Alternative Language

"(f) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for the purchase of or payment for a product or service; and contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which so resembles a seal, insignia, trade or brand name, or any other term, symbol, design, or device as to deceive that there is a Federal Government connection, approval or endorsement (unless such nongovernmental entity has such expressed connection, approval or endorsement) is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless...

"(g) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for the contribution of funds or membership fees and;

"(1) contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which so resembles a seal, insignia, trade or brand name, or any other term, symbol, design, or device as to deceive that there is a Federal Government connection, approval or endorsement (unless such nongovernmental entity has such expressed connection, approval or endorsement) or

"(2) mentions by name or implication any department, agency, bureau, board, office, administration, service, system, program or other division or subdivision of the Federal Government in such a manner as to deceive that there is a Federal Government connection, approval, or endorsement (unless such nongovernmental entity has such expressed connection, approval or endorsement);

is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless...

SIDLEY & AUSTIN WASHINGTON, D.C.

TESTIMONY OF ALLEN E. SCHECHTER
VICE PRESIDENT AND SENIOR MANAGING EDITOR,
COMMERCE CLEARING HOUSE
BEFORE THE SUBCOMMITTEE ON FEDERAL SERVICES,
POST OFFICE AND CIVIL SERVICE OF THE
SENATE GOVERNMENT AFFAIRS COMMITTEE

February 28, 1989

Mr. Chairman and members of the Subcommittee, my name is Allen E. Schechter and I am Vice President and Senior Managing Editor of Commerce Clearing House ("CCH"). I am pleased to have this opportunity to present our views with respect to the Deceptive Mailings Prevention Act of 1989 (S.273). My testimony will provide a brief history of CCH, our views with regard to the Deceptive Mailings Prevention Act and our reasons for opposing application of its provisions to CCH and similar organizations.

I. CCH Products and Services

For over seventy five years CCH, directly and through its subsidiaries, has published what are now approximately 150 loose-leaf reporters that provide subscribers with current comprehensive information in a broad variety of fields of law. Our publications include decisions of the courts, actions by federal and state agencies, and legislation pending before, or passed by, Congress.

CCH publications contain detailed, often technical materials that are responsive to the specific needs of our subscribers. Our subscribers are primarily lawyers, accountants, consultants, business organizations, libraries and government agencies. These individuals and institutions require immediate access to the most current information. CCH makes access to such information convenient and simple. Our subscribers rely on us to provide them with relevant information in an expeditious and timely manner. This now includes providing blank Federal income tax and related forms.

CCH reports are issued in looseleaf form and are offered on an annual subscription basis. Each series of reports is devoted to a subject matter within a special class, ranging from accounting law to workers' compensation. CCH reports provide our subscribers with up-to-date information and include explanatory materials prepared by our editorial staff. In order to keep the information provided to subscribers up to date, we provide customers during the subscription period with periodic reports of pertinent new legal and regulatory developments. We separately often sell individual copies of the texts of Federal laws, committee reports and the like.

Another CCH business that could be affected by the proposed legislation is our subsidiary, Washington Service Bureau, Inc. ("WSB"), which provides government documents, document retrieval services, and research services, to lawyers, accountants,

investment bankers and others. WSB maintains its own printing and mailing facilities to ensure timely distribution of information to our customers, and it conducts regular mail solicitations for its services.

II. Background Concerning S.273

The laudable purpose of the Deceptive Mailings Prevention Act (S.273) is to deter deceptive solicitations by mail. In particular, the bill seeks to restrict solicitations by mail which imply a connection with the Federal government. The deceptive practices, which the subcommittee is seeking to prohibit, include the use of a sign, symbol or insignia designed to create the false impression that the sender is affiliated with the Federal government.

As members of this Subcommittee are aware, many of the victims of deceptive mail practices are the elderly and the poor who depend upon the services that the Federal government provides without charge. Recipients of deceptive solicitations have been induced to purchase products or services which in reality are provided by the Federal government without charge. Others have made payments in response to mail appearing to be a bill from the government, charging a fee for an otherwise free or non-existent service. This legislation appropriately strives to protect those deceived by these practices and to prevent unscrupulous

mailers from further misleading the public. CCH wholeheartedly supports this endeavor.

III. Deceptive Mailings Prevention Act (S.273)

The legislation under consideration today is designed to eradicate certain abusive and deceptive mailing practices engaged in by a few dishonest organizations. Although we support the intent of this legislation, we find the proposed language somewhat confusing, and we would suggest several modifications.

Section 2(f) of the bill makes non-mailable, and subject to forfeiture, printed matter that is a solicitation by a non-government entity for the purchase or payment of a product or service and that contains a sign or symbol that reasonably could be interpreted to imply a connection with the Federal government. An item that is nonmailable under this section must bear a conspicuous disclaimer of any connection to or approval by the Federal government. Obviously, CCH and other legitimate organizations that mail solicitations and publications to subscribers would find the required disclaimer unfeasible and burdensome.

Section 2(f), as presently drafted, is ambiguous because the test for deceptive mail matters is subjective, and it is not clear what standards a trier of fact is required to apply. In order to clarify the ambiguity, we recommend that Congress enact

a clear two part test modeled on S.273 as currently drafted. Section 2(f) should be revised to prohibit a mailing that

> ... contains a seal, insignia, trade or brand name, or any other term, symbol, design, or device which (1) resembles a seal, insignia, trade or brand name, or any other term, symbol, design or device utilized by the Federal government; and (2) reasonably could be interpreted or construed as implying any Federal government connection, approval or endorsement....

By establishing this two-part test, a trier of fact would be required first to determine whether a mailer's name or logo was like that of a Federal agency, and second, whether the name or logo could reasonably be interpreted as implying a connection with the Federal government.

In addition, we recommend that the legislative history of S.273 make it clear that the bill is not intended to apply to the legitimate activities of CCH and other organizations engaged in providing in-depth reports on, and copies of statutes, regulations and reports promulgated by, the federal government and its agencies.

Section 2(f) encompasses all companies engaged in doing business through the mail, including those who do so in a legitimate manner. CCH does not engage in the activities the bill is designed to prevent. We do not, and have never used or relied on false or misleading information, signs or symbols in an attempt to confuse recipients of our solicitations.

CCH and its subsidiaries do not provide products or services to the persons the bill is intended to protect. The propelling force behind S.273 has been the confusion caused among the general public by deceptive mailings. Those who rely on deceptive mailing practices intend to, and do, deceive. They target segments of the population that may be more susceptible to misinterpreting the origins and meaning of materials they receive through the mail. Our subscribers are primarily professional individuals and business entities that are unlikely to be misled or deceived by our materials.

It is vital that CCH and companies similarly situated be clearly excluded from the provisions of S.273 or any similar legislation subsequently acted upon by the Subcommittee. CCH and its subsidiaries do not engage in the activities the statute is designed to control, nor do they provide products or services to the persons the statute is intended to protect.

IV. Conclusion

We realize that corrective legislation is necessary, and we support your efforts to restrict the activities of those who falsely imply a government connection in an attempt to mislead an unsuspecting public. Nevertheless, S.273 remains somewhat ambiguous and we are concerned that the business of legitimate mailers such as CCH may be hampered by this legislation unless the ambiguity is clarified.

Mr. Chairman, we appreciate this opportunity to offer our views to you and the members of the Subcommittee.

STATEMENT OF

STEPHEN L. EDMISTON

ADMINISTRATIVE DIRECTOR

DISABLED AMERICAN VETERANS

TO THE

SUBCOMMITTEE ON FEDERAL SERVICES, POST OFFICE
AND CIVIL SERVICE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS

U. S. SENATE

FEBRUARY 28, 1989

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the more than 1.2 million members of the Disabled American Veterans and its Ladies' Auxiliary may I say how very much we appreciate the opportunity to provide the views of our organization on the legislation -- S. 273, Deceptive Mailings Prevention Act of 1989 -- currently pending the Subcommittees' consideration.

In order that the Subcommittee may gain a better understanding of our organization I have appended to our testimony a brief overview of the DAV and its programs.

S. 273

Introduced on January 25, 1989, by Senator Heinz and cosponsored by

yourself, Mr. Chairman, as well as Senators Wilson, Matsunaga, Levin, Wallop, Bond, Riegle, Cohen, Lugar, Burdick and Kassebaum, S. 273 seeks to amend Title 39, United States Code "to designate as nonmailable matter solicitations of donations which could reasonably be misconstrued as a bill, invoice, or statement of account due, solicitations for the purchase of products or services which are provided either free of charge or at a lower price by the Federal Government connection or endorsement, unless such matter contains an appropriate, conspicuous disclaimer, and for other purposes."

At the outset, Mr. Chairman, we want the Subcommittee to know the DAV fully supports the intent of S. 273. Further, we also extend our sincere appreciation to your fine staff, Mr. Chairman, and the staff of Senator Heinz for providing us the opportunity to informally discuss the issues associated with this legislation both during the final days of the 100th Congress and during the early weeks of the current session.

While the DAV fully supports the intent of S. 273, we must also express our reservations with respect to a key aspect of the bill as presently written.

Specifically, the basis of our concern is related to the broad language of the bill and how that may be interpreted by U.S. Postal Service personnel with respect to our organization.

For example, the DAV (like many other nonprofits) utilizes the mail system to solicit the contribution of funds, membership fees and distribute our monthly magazine (publication). Without exception, all of these materials contain the DAV emblem which, as you will note from the attachment to our statement, was originally commissioned by President Woodrow Wilson and used as the central design on a Federal Government certification presented to every wounded serviceman during World War I. Of course, our use of this emblem was authorized by President Wilson and the artist, and our founder was also granted a patent for its use by the DAV.

In addition, nearly every fundraising and membership solicitation, as well as our monthly magazine that we mail, mentions the Veterans Administration by name. However, such materials do not state any VA approval or endorsement unless, in fact, the VA has stated a specific approval, acknowledgement or endorsement. This generally would appear in the DAV magazine.

Mr. Chairman, as you can see from the foregoing, as well as the information appended to our statement, the DAV has, by our uniqueness, a visibly close association with the Federal Government. This of course is clearly highlighted by our Congressional Charter and current law -- Title

38, United States Code, Chapter 59 -- which permits the Veterans Administration to provide certain veterans service organizations space and office facilities in Federal Government buildings -- in other words, DAV has a quasi-governmental function.

While S. 273 appears to protect organizations such as ours by virtue of bill language that states, "(unless such nongovernmental entity has such expressed connection, approval or endorsement)", we strongly urge and recommend that the Subcommittee clearly define, within the text of the legislation, the exact meaning of such language. This, in our view, will eliminate any confusion should U.S. Postal Service personnel be required to interpret the legislative intent of the measure.

Finally, Mr. Chairman, we would also recommend that the Subcommittee give serious consideration to: (1) legislatively establishing an expeditious dispute resolution mechanism within the text of S. 273; (2) amending the language of the bill to make clear the definition of nonmailable matter as that which is designed "to deceive"; and (3) weighing the effects S. 273 (in its' present form) may have upon creative marketing and the infringement of Constitutional, First Amendment Rights.

In conclusion, Mr. Chairman, we wish to reiterate, the DAV does not condone any mailing piece or envelope that so resembles "a seal, insignia, trade or brand name, or any other term, symbol, design, or device" of the Federal Government so as to deceive the recipient. Nor, do we approve of

any mailing material that "mentions by name or implication any department, agency, bureau, board, office, administration, service, system, program or other division or subdivision of the Federal Government" in such a manner as to deceive the recipient to believe "any Federal Government connection, approval, or endorsement".

Mr. Chairman, that completes our statement. Again, we wish to express our appreciation to you and the members of the Subcommittee for the opportunity to comment on this important legislative proposal.

The Emblem—Part of Our History

Probably you have seen the DAV emblem in most of the forms existing today. It appears on lapel pins, flags, and shoulder patches. It is a familiar part of all DAV caps. It is used on stationery, official documents, awards, plaques, business cards, and many other forms of official DAV material. Ever wonder how or why the DAV adopted its official emblem?

Our emblem was selected as the official symbol of the Disabled American Veterans when our organization was founded, way back in 1921. At that time, the organization was known as the Disabled American Veterans of the World War.

The emblem is a replica of an original etching drawn and designed by a well known artist of that day—E. M. Blatchfield—at the special request of President Woodrow Wilson. It was used as the central design on a certificate which was presented to every soldier, sailor, and marine who had been wounded in action during honorable service in World War I.

The impressive certificate was headed by the words, "Columbia Gives to Her Son the Accolade of the New Chivalry of Humanity." The emblem was displayed under those colorful words. Below it, the name of the man and the outfit with which he served was printed, and under that the following words: "Served With Honor in the World War and Was Wounded in Action."

The certificate was signed by President Woodrow Wilson.

Several characters of importance are in the design. Our flag, of course, is seen in the right-hand background.

The woman in the long flowing white gown is Columbia. Who is Columbia? Several years before the Revolutionary War many of the people living in the thirteen colonies felt that our country should have been named Columbia after its discoverer, Christopher Columbus. Throughout the war, poets used the name "Columbia" to describe their new nation which was to become the United States. The name continued to become popularized after the war, and a symbolic figure of a woman dressed in flowing garments and holding an American flag emerged from the pens of artists. It became a familiar figure for statues and pageants to depict America. Some people think the statue of the Capitol dome in Washington, D. C., is Columbia. But it isn't. That is a statue called the Statue of Freedom.

Columbia, in the DAV emblem, is knighting a World War I soldier. She is honoring him for his bravery in protecting humanity, and a group of soldiers stands at attention in the background.

President Wilson and the artist authorized our organization to use the design for the official emblem of the Disabled American Veterans of the World War. The emblem was adopted.

One of the original founders of the DAV, Judge Robert S. Marx, applied for and was granted a patent on the emblem in 1921. It has been used since that time.

DAV

Motto: "If I cannot speak good of my comrade, I will not speak ill of him."

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS • P.O. BOX 14301 • CINCINNATI, OHIO 45250-0301 • (606) 441-7300

BACKGROUND INFORMATION ON THE DISABLED AMERICAN VETERANS

Treaties are signed and the battles of nations end, but the personal battles of those disabled in war only begin when the guns fall silent. These men and women must struggle to regain health, reshape lives shattered by disability, learn new trades or professions, and rejoin the civilian world. At each step, they need help to help themselves. For 69 years, that aid has come from the Disabled American Veterans (DAV), a million-member, nonprofit organization of veterans disabled during time of war or in combat.

Formed in 1920 and chartered by Congress in 1932, the DAV is the official voice of America's service-connected disabled veterans -- a strong, insistent voice that represents all of America's 2.2 million disabled veterans, their families, and survivors. Its nationwide network of services -- available free of charge to all veterans and members of their families -- is totally supported by membership dues and contributions from the American public. The DAV is not a government agency. Its national organization receives no government funds.

THE DAV'S MEMBERSHIP

Some people simply assume that any veterans' organization with a little history behind it is a politically conservative group made up of older, male veterans. Emphatically, the DAV doesn't fit that traditional stereotype. Membership is open to any honorably discharged veteran with a disability incurred in wartime military service or under conditions similar to war.

Veterans disabled during the Vietnam War make up one third of the DAV's membership, and eight have served one-year terms as national commander, the DAV's highest office. Vietnam era veterans represent more than 98% of the DAV's management and professional staff at its headquarters in Washington and Cincinnati, as well as its offices across America. That staff is led by National Adjutant Charles E. Joeckel, Jr., who lost both legs in Vietnam combat. The DAV's current national commander, Billy E. Kirby, was wounded in World War II. His fellow national officers include two Korean War vets and five Vietnam vets.

The DAV is not a political association. Its members reflect all shades of American political opinion. They count on the DAV to advocate their needs as disabled veterans, and the DAV concentrates its attention and resources on this single, nonpartisan concern. Unlike some other veterans' groups, the DAV has no political action committee and does not endorse candidates for political office. Several women have attained leadership positions in the DAV.

DAV programs and activities also enjoy the support of an Auxiliary that focuses its attention on disabled veterans' families. Women in the DAV Auxiliary are all relatives of DAV members, Gold Star mothers or wives, or women who are also members of the DAV. For more information on the Auxiliary, write to: DAV Auxiliary National Headquarters, 3725 Alexandria Pike, Cold Spring, Ky. 41076.

THE DAV's HISTORY

When the troops came home from World War I, 300,000 carried grim reminders of war: disabling injuries, battle scars, gas-seared lungs, and prolonged illnesses. Following a tumultuous hero's welcome, America wiped the horror of war from its mind almost as quickly as the ticker tape was swept from the streets of New York City. The nation's makeshift response to the needs its disabled heroes soon broke down. And these angry young veterans took matters into their own hands, starting local self-help groups that soon merged to become the DAV.

After forming a national organization headquartered in Cincinnati in 1920, the DAV began planning a Washington, D.C., office to work toward needed legislation and expedite veterans' claims. During its first six months of operation in 1922, this office handled 7,000 claims for veterans across the country. These young, disabled veterans also worked with other organizations, initiating much of the legislation that led to a centralized government agency to handle all veterans' affairs. This was the Veterans' Bureau, forerunner of today's Veterans Administration (VA).

In 1935, the DAV began stationing veterans' benefits experts in Veterans' Bureau claims offices and hospitals across the country. When the specter of World War II raised its head, the DAV upgraded its facilities and training program to meet the new demands that would be placed on its service programs. As the first disabled vets returned from World War II, a formal program to train DAV National Service Officers (NSOs) was started at American University. There, disabled vets studied the disciplines they'd need to help other veterans returning from war.

THE DAV's NATIONAL SERVICE PROGRAM

Today, the DAV employs some 260 NSOs in 67 offices across the United States, providing numerous services to veterans and their families free of charge. Veterans need not be members of the DAV to take advantage of the free service of the DAV's veterans' benefits experts. DAV NSOs do much more than just counsel veterans and their families on veterans' benefits and services. After obtaining power of attorney, they function as attorneys-in-fact, assisting their clients in filing claims for disability compensation, death benefits, pension, and other benefits provided under federal, state and local law. In the year ended June 30, 1988, DAV NSOs interviewed nearly 200,000 veterans and members of their families. Submitting over 177,000 claims on behalf of these clients, they secured more than $1 billion in new and retroactive benefits.

DAV NSOs are skilled, highly trained professionals. They build the disabled veteran's case from the ground up, reviewing medical histories, guidelines, regulations, and pertinent legislation. In representing their clients, they prepare claims forms and briefs, helping clients assemble evidence in support of claims. When needed, they request hearings before government boards to present clients' briefs orally. They also review board decisions, advising their clients if appeals are warranted. In addition, DAV NSOs work closely with the VA, Social Security Administration, Labor Department, and other federal, state, and local agencies to keep veterans and their families informed of available programs and services.

All DAV NSOs are disabled veterans with compensable, service-connected, wartime disabilities. Like their clients, they learned to face the handicaps that overshadowed their lives. All disabled vets have trouble adjusting to these realities, but this ordeal prepares NSOs for their professional role, sharpening their understanding of the anguish and frustrations of the disabled veterans with whom they work.

The DAV's National Service Program and its NSOs are crucial to America's disabled vets and their families for two reasons. First, the government doesn't automatically grant veterans' benefits and services; veterans and their families must apply for them. Second, these claims must be thoroughly verified and justified. Faced by red tape and a bureaucracy that's often regrettably unresponsive, disabled veterans and their families need expert help to obtain the rights and benefits that blood and sacrifices have earned. That expert is their DAV NSO.

NSOs also visit towns and cities distant from the DAV's offices in a fleet of 15 office-equipped vans, called field service units. Since these vans hit the road in 1974, they've brought DAV services right to half a million veterans, dependents, and survivors. In times of crisis, DAV NSOs are there too. When such natural calamities as floods, earthquakes or tornados strike, NSOs go to the area to search out disabled veterans who need assistance, providing it on the spot from the DAV's Disaster Relief Fund. Since 1968, more than $2 million have been disbursed in disaster assistance, $85,807 in 1987 alone. Disabled veterans facing temporary financial emergencies may apply, through a DAV NSO, for assistance from the DAV Emergency Relief Fund. In 1987, $775,465 in Emergency Relief grants were given to needy disabled veterans and their families.

The DAV also provides scholarships to children of disabled veterans who are unable to afford the cost of higher education. During the 1988-89 school year, a total of $568,672 was spent on this program, providing scholarships to 213 students. Disabled veterans need not be members of the DAV to apply for assistance under the DAV's Disaster or Emergency Relief Programs. The same is true for parents of children applying for assistance under the DAV Scholarship Program. However, they must be able to prove that their disabilities are connected with their military service.

THE DAV's NATIONAL LEGISLATIVE PROGRAM

In large part, the DAV was born out of an extreme need for veterans' health and benefit programs following World War I. At that time, a variety of federal agencies with overlapping and conflicting missions handled veterans' affairs. Distressed by the situation, the DAV sent a group of young disabled veterans to Washington to straighten out the bureaucratic tangle. As these vets grew older, they seasoned as professionals in dealing with Congress. Today a legislative staff made up entirely of Vietnam veterans follows in their footsteps, promoting reasonable, responsible legislation to assist all disabled veterans, their families and survivors.

At the same time, the DAV's legislative specialists guard present laws against attack -- a function that's unfortunately but truly necessary. History shows that the understanding of the American public and their elected representatives for the problems of disabled veterans fades as the memory of war grows weaker. This happened with alarming speed after the Vietnam War.

The pressure to cut federal spending is intense, and the temptation to economize at the expense of needed veterans' programs is more than many politicians can resist. Under such circumstances, a man or woman who was once injured in wartime hostility can again be injured by peacetime apathy. Over the past decade, for example, funding of VA medical programs has decreased substantially as measured in dollars. As a result, facilities are deteriorating, and thousands of vets each month are with no source for the medical treatment they need. This is happening at a time of increasing demands for health care by an aging veteran population.

Though the DAV's legislative efforts in Washington are carried out by a professional staff, the organization's legislative objectives originate at the grassroots level. From the DAV local chapters, measures that members would like to see enacted into law are proposed to state conventions of the DAV. If a state convention approves a legislative mandate, it goes to the national convention, where delegates from DAV chapters and state departments across the country democratically decide if it should be pursued as part of the DAV National Legislative Program.

THE DAV'S NATIONAL EMPLOYMENT PROGRAM

No matter how high the unemployment rate for the United States work force may go, the statistics for disabled veterans are always unacceptably higher. And, no matter how these statistics are sorted, handicapped people -- including disabled vets -- are a minority that suffers employment discrimination. A 1986 Labor Department study revealed the depth of the problem, finding that one out of five disabled Vietnam veterans has dropped out of the labor force altogether. Of those still in the work force, Vietnam veterans with service-related impairments rated at 30 to 50% disabling suffered an unemployment rate of 16%, compared to 9.2% among all service-connected disabled veterans who served in Vietnam.

The question must be asked: Who deserves fulfilling employment more than men and women disabled in honorable, wartime, military service to their country? No matter how well disabled veterans recover from illness or injury, no matter how well they adjust to and overcome their handicaps, they aren't participating fully in our society until they're working in jobs suited to their capabilities.

More than simply complaining about high unemployment among disabled veterans, the DAV attacks the problem head-on. The organization conducts seminars on job-seeking skills in cities across the country. On behalf of hundreds of individual disabled veterans, the DAV has filed formal complaints of job discrimination with the proper government agencies. Because not nearly enough has been done to alleviate unemployment among disabled veterans, the DAV takes whatever action is necessary to make equal employment opportunity a reality for disabled veterans. In striving toward this goal, the DAV works closely with the President's Committee on Employment of Persons with Disabilities, the Labor Department, the Office of Personnel Management, other groups of handicapped people, and other private and public organizations concerned with this critical issue.

VOLUNTARY SERVICE

The ways in which DAV members at the chapter, state, and national levels serve their country and its disabled veterans are many. Mention of just a few services will indicate how deeply DAV members are involved in their communities.

Perhaps the most eloquent example of DAV service provided by rank-and-file members is the amount of time DAV and DAV Auxiliary members spend working with patients in VA hospitals under the VA Voluntary Service (VAVS) program. Each year, these volunteers contribute approximately 2 million hours in humanitarian service to hospitalized veterans. And that's just in the VA medical system. It's estimated that another million hours is donated to serving patients in state veterans' homes and other veterans' medical facilities. The services these volunteers provide are incredibly varied, but there's one thing all VAVS volunteers do. They bring veteran patients the comfort that the community outside the hospital and nursing home remembers them and cares about them.

DAV Chapters and Departments are actively involved in organizing transportation programs designed to assist veterans who have no way to get to VA hospitals and clinics for the medical attention they need. VA travel benefits were severely curtailed in 1987, and they have not yet been fully restored, not by a long shot. That's why the DAV Transportation Network is so essential to veterans nationwide.

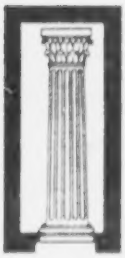
Dovetailing with these volunteer programs is the DAV Older Veterans Assistance Program, a response to the growing needs of an aging population of veterans. The number of older vets grows daily. By the year 2000, the number of vets over age 65 will surpass 9 million. DAV and Auxiliary volunteers are responding at the local level to meet needs in such areas as transportation, nutrition, clothing, shelter, recreation and much more.

Other DAV and Auxiliary volunteer projects include efforts to eliminate architectural and other barriers to the handicapped; helping employers and local government officials place disabled veterans in jobs and job programs; assisting the families of disabled veterans in times of need; and a wide variety of other activities of service in the community.

THE DAV's STRUCTURE

The DAV's national organization is structured to be operationally efficient while providing the highest possible degree of membership control of the organization's activities. The national efforts of the DAV are directed by an elected national commander and administered by an appointed national adjutant. A new national commander is elected every year at the DAV's annual national convention. Because national commanders are not allowed to succeed themselves in office, the national adjutant acts as the DAV's chief executive officer, providing continuity in the leadership of the professional staff.

Other elected officers in the DAV's national organization include a senior vice commander, four junior vice commanders, a judge advocate, and a national chaplain, all of whom participate in the decision-making process and help carry the DAV message to the membership and the general public. Between national conventions, the DAV's governing body is its National Executive Committee, which consists of representatives from 21 districts across the nation. Functioning as a board of directors, this committee must approve all major actions and policy decisions not covered by resolutions passed by the national conventions.



NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE

2000 K Street, N.W., Suite 800, Washington, D.C. 20006 (202) 822-9459

STATEMENT OF
MARTHA MCSTEEN
INTERIM EXECUTIVE DIRECTOR

NATIONAL COMMITTEE TO PRESERVE
SOCIAL SECURITY AND MEDICARE

SUBMITTED TO

SUBCOMMITTEE ON FEDERAL SERVICES,
POST OFFICE AND CIVIL SERVICE
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE

REGARDING

DECEPTIVE MAILINGS

FEBRUARY 28, 1989

I am Martha McSteen, Interim Executive Director of the National Committee to Preserve Social Security and Medicare. The National Committee has long endorsed legislation to prevent deceptive mailings. We supported the bill which passed the House last year. We continue to support such legislation, even though Congress addressed the problem in the Medicare Catastrophic Coverage Act by authorizing civil monetary penalties for organizations falsely implying they are authorized by the Social Security Adminstration, the Health Care Financing Administration or the Department of Health and Human Services.

As an organization which uses direct mail extensively to communicate with our five million members and supporters and the general public, the National Committee believes in strong standards to protect the recipients of direct mail. In fact, we would strengthen the legislation with additional protections for all Americans.

The main thrust of any such legislation must be to require disclaimers which clearly disassociate the mailing organization from any endorsement by or connection with the government. For some years, the National Committee has voluntarily included such a conspicuous disclaimer, usually in contrasting color, on its mailings. The disclaimer reads:

> Prepared and mailed by the National Committee to Preserve Social Security, a non-profit, tax exempt organization, 2000 K Street, N.W., Washington, DC 20006.
>
> The National Committee is totally independent of Congress, every government agency, and all political parties.

We strengthened our disclaimer a few years ago, even before legislation required it, by adding:

> Contributions to the National Committee are not tax deductible, and you need make no special contributions other than annual dues.

This disclaimer is now included on the contribution form and the letter size has been increased.

We also added a few years ago information about how the National Committee spends contributions for the most recently available fiscal year:

> The National Committee spends its budget in approximately the following way: legislative advocacy 38%, educational activities 25%, fund raising 15%, administration 20%, other 2%. Detailed financial reports are available from the National Committee and the charitable solicitations department of most states.

These will be updated on a regular basis. We would urge Congress to require other non-profit organizations to provide similar information in their mailings.

Finally, at the urging of some Members of the House and Senate, we added a disclaimer to our petitions to clarify that Members of Congress, to whom such petitions are addressed, do not necessarily endorse the National Committee. That disclaimer reads:

> The names of your senators and congressman appear on this petition because it is directed to them for their consideration. No endorsement of the National Committee to Preserve Social Security and Medicare by these Members of Congress is intended.

It is our experience that the appearance of an envelope or the color of its paper is not as important in catching the attention of the public as are the simple facts of a good message. As long as an organization is really serving the needs of its members, disclaimers have no adverse impact. Our use of disclaimers has not affected the operation of the National Committee, except in a positive way.

As an organization primarily representing senior citizens, we are particularly concerned about deceptive mailings to seniors. And frankly, we believe that other senior organizations should voluntarily adopt similar disclaimers. We also believe that deceptive mailing legislation, such as that passed last year in the House, should apply to all mailings, including political mailings by candidates, campaign committees and political parties.

In conclusion, I would like to commend the Subcommittee for holding this hearing and urge you to act quickly on legislation to prevent deceptive mailings.

Thank you.

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